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1 AUGUST 1986

China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

ROLE OF PRICE IN REGIONAL ECONOMIC DEVELOPMENT

Changsha JINGJI DILI [ECONOMIC GEOGRAPHY] in Chinese No 4, Nov 85 pp 243-246

[Article by Hu Zhaoliang [5170 0340 6852], Department of Geography, Beijing University: "Prices and Regional Economic Development"]

[Text] Prices are one of the conditions that affect regional economic development and the distribution of the productive forces. The prices of many Chinese products are subject to restrictions by the state and is therefore an especially important issue when studying the relationship between prices and regional economic development. Tentatively summing up, there the following three aspects of the relations between prices and regional economic development: 1) Prices and the rational utilization of natural resources; 2) Prices and the overall evaluation of regional economies; 3) Prices and the rational distribution of the productive forces.

1. Prices and the Utilization of Natural Resources

One of the important preconditions for a rational utilization of the natural resources is the accurate assessment of the value and price of natural resources. The view prevailed in China before liberation that the natural resources, not being products of labor, have no value and also no price. The influence of this viewpoint generated a series of contradictions:

(1) Important materials were put to petty use, and good materials were put to bad use, with the result that much of the natural resources were wasted and destroyed. Because no value was attached to natural resources, they were not counted among fixed assets, nor made an item of production cost, and any individual, unit, or enterprise could take possession of the natural resource without having to pay for it. Carving up the land for one's own use, damming up rivers and diverting waters, abandoning exhausted mines and exploiting rich ones are all examples of such behavior. Some units even went so far as to appropriate for themselves the waterfalls in historic or famous scenic spots.

(2) This view of natural resources also had adverse effect on the upgrading and protection of natural resources. To bring the use value of natural resources fully into play, it is necessary to continuously improve and protect them, and to expend on them all necessary human labor. If free use is permitted of natural resources, little attention will more often than not be

paid to supplying human labor to care for them, such labor being regarded as unproductive investment. There will be no way to recover these investments, to effect renewals, and they will finally be omitted from plans and pushed aside, thus in fact shortchanging the resources. Why is it that many forests are denuded by felling trees, but never tended and renewed? The reason is that there is no evaluation and collection of fees for the exploitation of forest resources, and there is no guarantee now that funds will be provided for tending and renewing the resource. Why is it not possible to realize anything from the investment in basic installations in the cities? The reason is that the basic urban installations raise the use value of the land, but the departments concerned have now no way to obtain remuneration for the increase in land value.

(3) The productivity of natural resources conceals the inferiority of business management. Productivity shown by the various sectors of the primary industries, such as in the exploitation of mines and harvesting of forests, is closely linked with the productivity of the natural resource. In the case of very abundant natural resources, even very poorly managed enterprises will still be able to obtain fairly good economic results. In such cases the natural resources conceal the shortcomings in the business management, and in such cases it is, furthermore, hardly possible to simply use economic results achieved by an enterprise as indicator in the evaluation of the quality of its business management.

(4) If the said viewpoint prevails, it is impossible to compute national wealth. National wealth is an important indicator that reflects a country's economic level; it is the result of a country's long-term accumulation of labor. The natural resources, especially the resources of the soil, are important components of the national wealth. According to a Japanese survey of 1980, the resources of the soil account for 25.3 percent of the total Japanese national wealth, forest resources for 1.1 percent, and both together for 26.4 percent. (Footnote 1) ("Asahi nenkan; bekkan," Asahi Shimbunsha, 1983, p 332, in Japanese) How to assess the value of China's 9.6 million square kilometers of national land resources and its coastal resources is a question not only of evaluating China's national wealth, but also a question of evaluating the diligent labor of the Chinese nation during the past 5,000 years.

Trying to set a price for natural resources may start out by establishing their use value. Natural resources have use value; anything without use value cannot be called a resource, at the most perhaps a latent resource. The factors that constitute the use value of a natural resource are: 1) The degree of productivity of a natural resource. This is in direct proportion to the use value of the natural resource; the higher the productivity the higher its use value. 2) The location of the natural resource, which comprises the natural as well as the economic geographic location. 3) The human labor that is expended on the natural resource.

The human labor expended on the natural resource has value. In Marx's words, expended human labor is "merged with the soil" and becomes an integral whole. (Footnote 2) (Marx, "Das Kapital," People's Publishing House, 1966 edition, Vol 3, p 777) When a piece of land is being cultivated or used as building site, it is today impossible to say which of its properties have come down from prehistoric times and which are created by the expenditure of human labor. We can only assert that the land in prehistoric times was not as it is now; there has obviously been value in the human labor that was expended on the natural resource. The more human labor was expended, the higher the value. Human improvements of the economic geographic location also have value. If a railroad is built into rugged mountains, the change in the communication facilities for mining and forest resources there is obviously the result of human labor. Acknowledging the value of natural resources means acknowledging the history of human use and transformation of nature, and acknowledging that wealth has been accumulated by mankind over the centuries.

Since a natural resource has use value and value, it has to have a price. The factors that determine the price of a natural resource are of a very complex nature. In addition to the value base, there is the productivity and the finiteness of any natural resource, also pricing policies, etc. Among all the factors that determine the price of a natural resource, an increasing role is played by the expenditure of human labor and the economic geographic location. This can be verified by the price increases of building sites in most countries of the world and the regional differences in land values. The main factor that affects the price of building sites is the economic geographic location; expenditure of human labor is a secondary factor. (Footnote 3) (Ray M Northam, "Urban Geography," John Wiley and Sons, New York, 2nd ed., Sept 1984, p 266)

It is therefore an important guarantee for the rational utilization of natural resources, that economic levers are applied, that a rational price is determined for the natural resource, that a certain fee is collected for occupying the resource and for the use of the resource. Industries that operate in compliance with the proper purport of the natural resource may be granted appropriately favorable treatment pricewise; industries that destroy the natural resource should be made to pay an appropriate penalty within the price they have to pay for it.

2. Prices and the Evaluation of Regional Economies

The evaluation of a regional economy is a topic for which a solution must be found when studying the economic development of a region. Since liberation, China has mostly used the gross output value of industry and agriculture as indicator in the evaluation of regional economies. The gross output value of industry and agriculture is generally computed according to the fixed prices set by the state. Even if computed at current prices, this output value is restricted by plan prices. Prices, therefore, have a widespread influence on the evaluation of the economic position, the economic structure, the economic results, and the economic developmental changes of a region.

(1) The influence of prices on the evaluation of the economic position of a region. There is a great disparity between China's current prices and the real value of products. Add to this the shortcomings of the gross output value, including the values transferred from raw and semiprocessed materials, fuel, depreciation, etc. and the evaluation of the regional economic position is rendered even more complex.

In China most light industry products are overvalued and most heavy industry products are undervalued; mining products and certain agricultural products are obviously undervalued. Using current prices, the output value of regions with highly developed light industry is overvalued, while the output value is undervalued for regions with highly developed heavy industry, especially regions with a highly developed mining industry and regions with a large proportion of agriculture.

Between the gross output values of the various departments, the disparity in the proportion of the transferred materialized labor is very large. The proportion of transferred materialized labor accounts for over two-thirds in the industrial gross output value and for around one-third in the gross agricultural output value. In the mining industry, the proportion of transferred materialized labor is also very small.

In view of the two above-stated reasons, it is very unfavorable for regions with a large proportion of mining industry and agriculture to use the industrial and agricultural gross output value for their regional evaluation. There is an obvious disparity between arranging the economic position of the various provinces, municipalities, and autonomous regions in the order of their gross output value of industry and agriculture, and arranging them in the order of net output value, not including the value of transferred materialized labor. According to gross output value, Shanghai would only come second after Jiangsu and be in second position in the entire country, and Heilongjiang would be in 11th position in the entire country. Arranged according to net output value, Shanghai would be relegated to fourth position, and Heilongjiang would rise to seventh position. The discrepancies would be even larger if certain adjustments were made according to international market prices. The Chinese domestic price for crude oil allocations is 100 yuan per ton. The international price for a ton of crude oil is U.S.$200, which, according to the exchange rate, is equal to 570 yuan. If computed according to the international market price for crude oil, the gross and net industrial and agricultural output value of Heilongjiang Province would exceed that of Jiangsu and place it in first position in the country. Its industrial net output value would exceed that of Shanghai and place it in first position in the country. This shows the extremely important influence of prices on the evaluation of the economic position of a region.

Provinces, Municipalities, Autonomous Regions in Their Economic Order, 1983

	By Industrial-Agricultural Output Value		By Average Per Head Ind.-Agr. Output Value	
	Gross	Net	Gross	Net
1	Jiangsu	Jiangsu	Shanghai	Shanghai
2	Shanghai	Shandong	Tianjin	Tianjin
3	Shandong	Sichuan	Beijing	Beijing
4	Liaoning	Shanghai	Liaoning	Liaoning
5	Sichuan	Liaoning	Jiangsu	Heilongjiang
6	Guangdong	Henan	Heilongjiang	Jiangsu
7	Hubei	Heilongjiang	Jilin	Jilin
8	Henan	Hebei	Zhejiang	Zhejiang
9	Hebei	Guangdong	Hubei	Shanxi
10	Zhejiang	Hubei	Shandong	Shandong
11	Heilongjiang	Zhejiang	Shanxi	Hubei
12	Hunan	Hunan	Hebei	Hebei
13	Anhui	Anhui	Guangdong	Xinjiang
14	Beijing	Jilin	Xinjiang	Guangdong
15	Tianjin	Shanxi	Hunan	Hunan
16	Jilin	Beijing	Shaanxi	Nei Monggol
17	Shanxi	Jiangxi	Nei Monggol	Ningxia
18	Jiangxi	Guangxi	Ningxia	Fujian
19	Shaanxi	Tianjin	Gansu	Shaanxi
20	Guangxi	Shaanxi	Fujian	Gansu
21	Fujian	Yunnan	Qinghai	Henan
22	Yunnan	Fujian	Sichuan	Qinghai
23	Nei Monggol	Nei Monggol	Henan	Sichuan
24	Gansu	Guizhou	Jiangxi	Jiangxi
25	Guizhou	Gansu	Anhui	Anhui
26	Xinjiang	Xinjiang	Guangxi	Yunnan
27	Ningxia	Ningxia	Yunnan	Guangxi
28	Qinghai	Qinghai	Guizhou	Xizang
29	Xizang	Xizang	Xizang	Guizhou

(Note: Data for Taiwan Province are lacking)

(2) The influence of prices on assessing the economic structure of a region. Computing China's 1983 gross output value of industry and agriculture at current prices, industry accounts for 68 percent and agriculture for 32 percent, but even in the Zhuang Autonomous Region of Guangxi with the largest proportion of agriculture, industry still would account for 53 percent. These proportionate compositions as between industry and agriculture are obviously very much at variance with the reality. Calculated at net output value, China's industry in 1983 accounted for 50.8 percent of the net output value of industry and agriculture, and the industry of Guangxi for only 35 percent, which comes very much closer to reality. However, considering the fact that in China 5 times more manpower is engaged in agriculture than in industry, apart from the disparity between industrial and agricultural labor productivity, the price problem still has a distinct influence on the economic structure.

(3) The influence of prices on the evaluation of the economic results of a region. Because of the influence of prices, there is a great disparity between the average profit-tax rates for funds in the various industries throughout the country. In 1982, the average profit-tax rate for funds in the light industry was 46.3 percent, and invested funds could be recovered in 2 years and 1 month. The average profit-tax rate in the heavy industry was 16.8 percent and invested funds could be recovered in 6 years. In the coal mining industry the average profit-tax rate was 2.2 percent, and invested funds could only be recovered in 45 years. When calculating the dynamic economic results, the profit-tax rate of the coal mining industry was lower than interests, and in that case funds could never be recovered. Regions of light industry had generally better economic results than heavy industry regions. Regions with a large proportion of heavy industry, especially regions with a high proportion of coal mining industry, generally showed rather poor economic results. If prices are not adjusted, it is almost impossible to assess regional economic results.

(4) The influence of prices on the evaluation of regional changes in economic trends. Prices are fluctuating. When analyzing regional changes in economic trends, neglect of price fluctuations will lead to erroneous results. At an earlier time, when studying to achieve the comfortably well-off level of an average per head gross national product of U.S.$1,000 by the year 2000, there was one viewpoint which held that this would be commensurate with the U.S. level of 1940. The basis for this view was that in 1940 the average per head gross national product in the United State was $1,000. However, due to the devaluation of the American dollar, 1 dollar in 1940 corresponds to 5 dollars in 1980. In 1940 small motorcars were in common use in America, but by the year 2000 it will not be possible to have small motorcars in common use in China. To eliminate the influence of commodity price fluctuations, major economic research organs in the West publish wholesale commodity price indexes and retail commodity price indexes, while the Chinese State Statistics Bureau works with fixed prices. Since liberation, China has had four sets of fixed prices, fixed in 1952, 1957, 1970, and 1980. When studying regional economic contrasts, it is necessary to eliminate the disparity between the four sets of fixed prices and to eliminate the disparity between the interregional changes in the fixed prices. Due to differences in the economic structure, in most of

China's provinces, municipalities, and autonomous regions the gross industrial output value computed at the fixed prices of 1970 is lower than the gross industrial output value computed at the fixed prices of 1957, but in Anhui, Guangxi, and Xinjiang, on the other hand these values are higher than the gross industrial output values computed at the fixed prices of 1957.

3. Prices and the Distribution of Productive Forces

Prices constitute a special social condition that affects the distribution of productive forces. Prices are per se economic phenomena. Among the elements that determine prices we can find the background showing higher or lower technological levels and the productivity of natural resources. Price policy, which has greatest impact on prices, is part of the superstructure. If we say that in capitalist countries the most important economic lever affecting the distribution of the productive forces is taxation, then it is pricing in substitution for taxation that constitutes in China the most important economic lever with impact on the distribution of the productive forces. The various problems that are now surfacing in China with regard to the distribution of the productive forces are, if traced to their very source, invariably connected with prices. Ignoring the impact of prices will make it impossible to resolve many problems in the distribution of the productive forces. The following five aspects are a tentative summary of the influences of prices on the distribution of productive forces in China:

(1) Their influence on the development of areas producing raw and other materials. The price problem is the important reason for the fact that production of raw and other materials in China has been lagging behind for a long time compared with developments in the processing industries. The very slow increase in the production of many rural native and special products is also related to prices. The institution of negotiated prices for coal increased the economic results in the coal mining areas and raised enthusiasm for increasing production. Many coal producing areas are on the way to prosperity.

(2) Prices influence the occurrence of duplications in the location of processing industries. The duplication in the location of processing industries is a long-standing problem in the distribution of China's productive forces. Duplications of location have occurred with regard to the three old favorites: watches, bicycles, and sewing machines. The new three favorites too, TV sets, tape recorders, and refrigerators, are about to incur duplications in location, which is also evident in other branches of the processing industry. Prices exert everywhere the effect of a catalytic agent. To solve the problem of duplications in the location of processing industries, we must on the one hand strengthen administrative control and plan guidance, and on the other hand bring the economic lever of prices into play.

(3) Prices have an influence on the marketing of products. Most means of production and a part of the means of livelihood in China are procured and marketed according to unified prices. The prices seldom reflect differences in the quality of the products and upset the rational regional circulation of products. Areas or enterprises with high-quality production, because their products are priced below their actual value, will sell their products all

over the country. If a rational price system were set up, high-quality products could be marketed at high prices, thereby providing larger accumulations for the state and for the enterprises. Enterprises producing poor-quality products could sell their products at lower prices, gain a certain market for their goods and gradually improve the quality of their products.

(4) Prices induce increased back and forth shipments. The problem of back and forth shipments exists with regard to many products in China. One of the reasons for the occurrence of back and forth shipments is the irrational price and subsidy policy. For instance, if the procurement price in the producing area is higher than the sales price in the marketing area, the goods will more often than not flow back into the producing area. If the procurement price in area A is higher than the procurement price in area B, the products will more often than not flow into A for sale there, and then later be shipped to area B for processing. Viewed from the standpoint of the entire country's macroeconomy, this state of affairs constitutes an extremely large waste.

(5) Prices have an adverse effect on the consolidation and development of foreign trade and export bases. An important reason for the protracted stagnation in the exports of many traditional Chinese export articles is that they are procured domestically at unduly low prices. These prices are far below prices in the international market, and as a result the producing areas cannot make a profit manufacturing these products, and may even incur losses year after year, which makes it impossible to update equipment and to upgrade the quality of the products. The traditional Chinese exports of nonferrous metals have run into this kind of problem.

China's superior social system provides the possibility for a rational distribution of the productive forces. To convert this possibility into the reality of a rational distribution, we must on the one hand assert the authority of directive-type planning and on the other hand utilize economic levers and show that the demand of the law of value is the most important condition for the effective application of the economic lever. At the same time we must control prices in conformity with such demands as the rational distribution of the productive forces, etc. For instance, it is absolutely necessary to institute appropriate protective pricing policies and price subsidy policies for newly established production bases, remote border areas, minority areas, backward areas, etc. At this opportunity it may be pointed out that even in capitalist countries certain commodities are regularly controlled, for instance, prices for tobacco and alcoholic beverages, by means of a policy of granting price subsidies. The State Council has recently proposed to adjust the current Chinese price system in a planned way, according to the demands of the law of value. This will open up broad avenues for the rational utilization of China's natural resources, for the rational distribution of productive forces and for the regional developments.

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CSO: 4006/539

ECONOMIC DEVELOPMENT ZONES

DEVELOPMENT OF NORTHEAST ECONOMIC ZONE REPORTED

OW061300 Beijing XINHUA in English 1223 GMT 6 Jul 86

["Roundup: Economic Groups in Northeast Economic Zone"--XINHUA headline]

[Text] Shenyang, July 6 (XINHUA)--Since 38 electric motor manufacturers, research institutes and colleges set up a coordination group in September last year, it has formed a capacity of producing one-third of China's total power-generating equipment during the Seventh Five-Year Plan (1986-1990).

The northeast electric economic and technological group is one of 1,500 in the northeast economic zone which, set up in 1983, covers Heilongjiang, Jilin and Liaoning provinces, and the eastern part of the Inner Mongolia autonomous region.

The group won a bid to build a power plant in Pakistan in competition with six firms from Japan, France and the Soviet Union. Now, the plant has been completed and put into operation, according to a local official here.

Since seven cities in Central Liaoning Province formed economic and technological groups in May, 1985, their advantages have been well demonstrated, he said.

The cities are Shenyang, capital of Liaoning Province, Fushun, Benxi, Anshan, Liaoyang, Tieling and Dandong. They include China's major machine-building, petrochemical, iron and steel, and coal centers.

With cooperation within the group, Shenyang supplies electric motors and equipment to six other cities and gets iron and steel from Anshan and Benxi; Benxi and Fushun provide Anshan with coal.

The five coastal cities and four cities in the western part of Liaoning Province have also formed such groups.

The northeast economic zone has not only developed lateral economic and technological ties among its regions, but also established such ties with 20 other provinces, municipalities and autonomous regions.

Lateral economic ties now developing rapidly in China have become an impetus for the ongoing economic reform.

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CSO: 4020/373

ECONOMIC PLANNING

SHANGHAI: NEW TEAM PLANS FOR BUSINESS INFORMATION CENTER

OW281412 Beijing XINHUA in English 1356 GMT 28 Jun 86

[Text] Shanghai, 28 Jun (XINHUA)--Shanghai is aiming to become the Chinese center for the collection and distribution of business information, senior municipal official Ge Dazhong said here today.

He said: "We have set ourselves this goal because information is playing an increasingly important role in economic planning and in boosting production."

The city has now set up a team to promote the flow of business information. Headed by Mayor Jiang Zemin and Deputy Mayor Liu Zhenyuan, it will also supervise research in the field.

"Information networks have been established in such sectors as industrial production, planning, statistics, electric power, foreign trade, banking, materials supply and railways," said Ge, who is a member of the new team. "They are connected by computers."

The industrial and commercial bank has set up an information company with 11 branches in Shanghai. It has 100 employees and publishes 20 information bulletins.

As China's largest economic center and a port city, Shanghai is well placed to obtain up-to-date information. It trades with 160 countries and regions, and was visited by 600,000 foreign businessmen, scholars and travelers last year.

With the help of market information, Shanghai's watch industry has developed many fashionable styles, and exported more than one million wristwatches in the first 5 months of this year--equivalent to last year's total.

/9604
CSO: 4020/371

ECONOMIC MANAGEMENT

1985 AUDITING REPORT TO NPC STANDING COMMITTEE

OW082313 Beijing XINHUA Domestic Service in Chinese 0644 GMT 29 Jun 86

[Passages within slantlines published in boldface]

[Text] Beijing, 29 Jun (XINHUA)--Report on the 1985 auditing work.

By Auditor-General Lu Peijian.

Chairman, vice chairmen, and members of the Standing Committee:

At the State Council's request, I now deliver a report on 1985's auditing work to the NPC Standing Committee.

The Auditing Administration entered its third year in 1985. In this year, having completed their basic structural organization, the auditing departments began to shift the emphasis of their work to auditing control. The party Central Committee and the State Council attached great importance to auditing work. In March 1985 when the National Conference on Auditing Work was still in session, Premier Zhao Ziyang instructed: The more we enliven our economy, the more we need to strengthen control and supervision; and auditing work is an indispensable part of our control and supervision. Upon receiving a report from the Auditing Administration on party rectification last July, the party Central Committee and the State Council reached decisions on a series of major issues concerning auditing work and further clarified the guidelines, policies, and work emphasis. Since the party Central Committee and the State Council relayed the guidelines, local party committees, people's congress standing committees, and governments at all levels have attached greater importance to auditing work and strengthened their leadership over it. Many local people's congress standing committees or governments decided to strengthen auditing control. They stressed that auditing control should contribute to safeguarding financial and economic discipline, improving party and social conduct, and strengthening macroeconomic control. By seriously implementing the party Central Committee and State Council guidelines, auditing organs and cadres began to obtain notable results in their work.

/I. Good progress has been made in auditing work./

To contribute to the fundamental improvement of party and social conduct and ensure smooth progress in opening to the outside world, enlivening the domestic economy, and restructuring the economic system, since 1985 auditing organs at all levels have firmly dealt with serious financial and economic irregularities, such as practicing fraud and taking advantage of loopholes in reform. According to statistics, in 1985 auditing organs audited over 66,000 units and found large sums of money of a dubious nature, including a total of 2.82 billion yuan that should have been delivered to finance departments.

Auditing organs began their work last year by auditing the budgets and special funds of several trades. Despite the fact that budgets and special funds were tight in certain areas, they found that a considerable amount of money had been misappropriated or wasted. In the course of auditing some 2,200 educational units in 12 provinces and municipalities, local auditing organs found that over 82 million yuan were misused in building offices, dormitories, and guest houses; purchasing automobiles; and setting up businesses. In auditing the 1984 highway maintenance fees in Shandong, Henan, Anhui, and Zhejiang provinces and Tianjin municipality, auditing organs there found that over 101 million yuan were used for other purposes, representing 9.6 percent of the highway maintenance fees collected that year; and that 59 million yuan was short of the total receipts, either as a result of mistakes or by fraud. Local auditing organs also audited 556 counties' water conservancy funds and found that 77 million yuan or 9 percent of the total amount were misappropriated. Some localities were found using antiflood funds to purchase automobiles. Together with the departments concerned, the Auditing Administration audited the 1984 urban protection and construction funds in Wuhan, Xian, Jinan, Zhengzhou, Shijiazhuang, and Changzhou cities and found that 90 million yuan or 30 percent of the money spent was not according to the regulations. The State Council has transmitted the Auditing Administration's auditing report on the education budget and highway maintenance fees to the relevant localities and departments and has asked them to take serious steps to improve fund management.

We have conscientiously investigated and handled the major and gross discipline violations in the financial and economic field in the course of carrying out auditing work. For example, some units in grain departments were utilizing the state's system of buying grain and oil-bearing crops with different prices to illegally reap profits from the state which pays higher prices for grain and oil-bearing crops in excess of the state procurement quota. On the basis of instructions from a leading comrade of the State Council, the auditing organs at all levels and the various departments concerned have audited some 9,200 units, and discovered a total of 710 million yuan in question. According to incomplete statistics, 421 cases each involving over a million yuan in illicit transactions, and 127 cases each involving graft of over 10,000 yuan were discovered in 1985. Disciplinary action was taken against 992 persons responsible for the malpractices, and some of them were punished as criminals. The investigation and handling of these major and important cases produced wide repercussions, made cadres strengthen their concepts in observing discipline and laws, and helped bring about a change for the better in improving party style and the general mood in society.

We have also audited those units using loans from the World Bank. World Bank loans to China increase every year. At the request of the World Bank, the state auditing organs must audit units using the loans and submit reports on how loans are being used and on the results. We have already audited the units using the loans on a total 254 projects last year. In the course of auditing, we have found some irregularities in cultural, educational, and agricultural projects. We have quickly notified the units concerned to improve their efficiency and correct the irregularities. The Auditing Administration report was reviewed by the World Bank. It was pleased that the report conformed to international auditing standards. Auditing users of the World Bank loans has prompted them to make the best use of the loans, while bolstering China's credit in obtaining loans.

During the fourth quarter of last year, the State Council decided to conduct an extensive checkup on tax revenue, financial affairs, and commodity prices. The Auditing Administration and local auditing organs at all levels have sent out their principal cadres to form a general office for carrying out a mass checkup and dispatched a large number of cadres to participate in various checkup teams to link auditing work with the mass checkup in financial affairs.

After the party Central Committee and the State Council adopted a series of measures to correct unhealthy tendencies last year, discipline has been strengthened in the financial and economic field. However, due to the lack of a fundamental change for the better in improving party style and the general mood in society at present, some of the measures in reforming the economic structure are not coordinated and some of them are far from being perfect. Some of the financial and economic management departments have failed to enforce the laws strictly. Therefore, some people and units have seized this opportunity to practice fraud and to seek personal gain under the pretext of reforms. The violation of discipline in the financial and economic field remains an outstanding problem. Most of the audited units have problems to varying degrees in discipline violations in the financial and economic field. Some of the units with authority to manage financial and economic affairs have abused their authority to help small groups or individuals seek profits. Therefore, we must vigorously strengthen our supervision over auditing work from now on, struggle against all types of violations in financial and economic affairs, and work hard to reform the economic structure and to correct the party style and the general mood in society.

/II. The foundation has been strengthened in auditing work./

The auditing organs have not been set up very long. Therefore their foundation is weak. We must gradually strengthen these organs in order to create conditions in developing auditing work from now on. Since the beginning of last year, auditing organs at all levels have stressed their work as follows:

1. The key to good auditing work lies in competent auditors. In order to increase the number of auditors, the State Council last year granted approval to expand the authorized organs by 20,000 auditors to a total of 50,000 auditors. At the end of last year, there were 29,000 auditors, an increase of 5,000 over the number of auditors at the end of 1984. The number of auditors is expected to reach 40,000 at the end of this year. We will try to increase the number of auditors to reach the authorized size by next year. The auditing organs at all levels have sponsored a total of 270 training classes. Over 10,000 auditing cadres have been trained. Right now there are 29 institutions of higher learning in China offering a major in auditing, with a total enrollment of 1,800. However, the number of auditors and the scale in auditor training still fall short of the needs in developing auditing work.

2. To guarantee auditing organs' supervisory power, the State Council last October approved and circulated the Auditing Administration's "Report on the Question of Improving the Leadership Over Local Auditing Work and Establishing Local Agencies" and improved the leadership structure of auditing organs: First, the Auditing Administration must strengthen leadership over local auditing work, and local auditing organs must comply accordingly. If local governments' decisions or directives run counter to an Auditing Administration order, the Auditing Administration order takes precedence. The Auditing Administration has the power to correct inappropriate conclusions and decisions adopted by local auditing organs. The appointment and dismissal of provincial, autonomous regional, and municipal auditing bureau directors and deputy directors; their transfer; and the disciplinary action against them should be determined by the Auditing Administration in advance. Second, the Auditing Administration will station specially appointed auditors in key areas and at key enterprises to establish their working bodies and to supervise auditing work as authorized by the Auditing Administration. At present, specially appointed auditors have been tentatively stationed in Shanghai, Guangzhou, Wuhan, and Shenyang, and their working bodies are being established to promote work.

3. The internal auditing work in departments and units are developing step by step. Internal auditing is an important means for departments and units to strengthen internal control, enforce financial and economic discipline, improve administration and management, and increase economic results. According to incomplete statistics, China as a whole has established over 10,000 internal auditing organs. In addition to establishing the Auditing Bureau in the ministry, the Ministry of Water

Resources and Electric Power has established auditing organs at all major power networks to supervise auditing on the spot. Last year saw discipline violations involving over 180 million yuan, including over 106 million yuan which should have been delivered to the state. The internal auditing organ of the Ministry of Railways audited over 900 units last year and discovered numerous discipline violations, including over 27 million yuan which should have been delivered to the state. The internal auditing work of Anshan Iron and Steel Company has been well done. After financial inspection, discipline violations involving over 26 million yuan were again discovered at subordinate units. Internal auditing work at many units has made headway. It has played the role of assistant in maintaining financial and economic discipline and increasing economic results.

4. In formulating auditing laws and regulations, the State Council promulgated "Temporary Provisions on Auditing Work." In accordance with the State Council's temporary provisions, the Auditing Administration formulated some regulations for implementing them. As a result, auditing work has been initially based on laws and regulations.

5. To learn and draw lessons from foreign countries' experience in auditing work, we have actively developed contacts in the international auditing sphere. Since the Auditing Administration was established over 2 years ago, we have dispatched delegations to some countries on inspection tours and invited responsible persons of 12 countries' auditing organs. We have established relations of friendly cooperation with Canada, Australia, Sweden, Spain, and Democratic Germany in training qualified personnel and in vocational exchange. In 1985, China dispatched an auditing delegation to attend a conference sponsored by the Asian regional organization of the supreme auditing organ. Thanks to these international contacts, we have exchanged information with foreign auditing organs and widened our field of vision. We have gained a great deal of enlightenment which can benefit the development of China's auditing work.

6. Since the establishment of auditing organs at all levels, all auditing organs have attached great importance to promoting spiritual civilization and emphasized fostering a good workstyle. Since the party Central Committee and the State Council's directive on auditing work was relayed last year, the vast number of auditing cadres have been deeply inspired, and their mental outlook has encouragingly changed. They warmly cherish their auditing career and are determined to create a new situation in auditing work. They develop the fine traditions of hard struggle, pledge to be faithful in the discharge of their duties, seek truth from facts, handle matters impartially, and to be honest in performing their official duties, regarding all of these as criteria. In promoting spiritual civilization, a number of advanced units and persons have emerged in auditing departments. For instance, of the 113 auditing organs in Jiangxi, 31 have been commended by governments at all levels as units advanced in promoting spiritual civilization. While auditing accounts at the Beijing Mining Bureau, Comrade Liu Lin of the Mentougou District

Auditing Bureau in Beijing municipality discovered a few leading cadres violating financial and economic discipline. He adhered to principle, withstood pressure, and with the support of municipal leaders, urged departments concerned to strictly handle their cases.

Over the past 2 years and more, we have made remarkable achievements in auditing work, but generally speaking, it is still at an early stage and has many difficulties, problems, and shortcomings. Our auditing force is far from enough to meet our needs. From the inauguration of our auditing organs to the end of last year, we audited some 1,000 organizations, accounting for only 4 percent of the 2 million we should audit. In exercising its leadership, the Auditing Administration did not conduct sufficient investigations and studies to sum up typical experience, nor did it provide sufficient concrete guidance to local auditing organs. Because of abnormal interference, it was difficult to handle some of the problems discovered in the auditing process. In the course of economic reform, the auditing work encountered new circumstances and problems. In particular, some policies do not have clear limits. We must conduct a serious study to solve this problem.

/III. Bring into further play the supervisory role of auditing./

Currently, the political and economic situation in our country is very good. The report on the Seventh 5-Year Plan adopted by the Fourth Session of the Sixth NPC pointed out: During the Seventh 5-Year Plan, we should persistently put reform above everything else, generally improve the indirect control system, promote cultural and ideological advance and material progress at the same time, improve party style and standards of social conduct, and create good economic and social environments for reforms and construction. Auditing supervision should be aimed at these central tasks. In accordance with the instructions of the party Central Committee and the State Council, and in consideration of the fact that the auditing organs are newly established, the national auditing work conference held at the end of last year decided that the work of the auditing organs for some time forward should adhere to the principle of "dealing with major issues and laying a foundation." To deal with major issues means to work for the central tasks of the party's economic work, deal with major problems obstructing reform of the economic structure, and ensuring steady development of production and the smooth process of economic reform. To lay a foundation means to train more auditing personnel, improve rules and regulations and the auditing system, promote cultural and ideological advance, and create the necessary conditions for future development of auditing work. Currently, auditing organs at all levels are seriously adhering to this principle. In order to firmly strengthen our auditing supervision, allow me to present the following opinion:

1. Auditing work must persistently serve reform of the economic system. The more the economy is invigorated, the more we should strengthen auditing supervision. Considering present realities, we should focus auditing work

on enforcing financial and economic discipline, and overcome interference in order to ensure smooth process of reform. In the last 2 years, people have disregarded the interest of the whole, availed themselves of loopholes to seek interests for their organizations or themselves at the expense of the state, and obstructed reform of the economic structure. Some localities and organizations wilfully squander state funds on formalistic things, disregarding the financial capability of our country. Some even make arbitrary apportionment to raise funds and build high-standard, nonproductive construction projects. In so doing, they have seriously divorced themselves from the masses and perverted standards of social conduct. Some localities, departments and organizations divert funds to other than the original purpose, wantonly increase investment in fixed assets or increase consumption funds, adversely affecting overall control. Auditing organs at all levels should, in the course of auditing, investigate and handle these tendentious problems according to relevant regulations, in coordination with the departments concerned.

2. It is necessary to clearly understand the party's policies when investigating and handling discipline violations. Auditing organs at all levels must adhere to principle in seriously investigating and handling grave violations of financial and economic discipline, particularly those involving leading organs and cadres. Suggestions should be made to party and government leadership to sternly deal with whoever is to blame. When investigating and handling discipline violations, we must consider the complexity of reform of the economic structure and persistently seek truth from facts. We should strictly distinguish between errors during reform and irregularities perpetrated by those who have manipulated loopholes in that reform. We must be prudent in dealing with new circumstances, problems, and concerns of the masses. Do not hastily handle a problem if not certain of its nature at the time. Instead, we should conduct serious investigation and study on the problem and report it to higher-level organs for advice. The stress of the investigation should be put on discipline violations which happened in the past 1 or 2 years. In the course of auditing, we should support, and ensure implementation of, any reformative measures conducive to the development of productive forces. Advanced units in reform should be the model in observing law and discipline. If they violate discipline, we should handle their cases according to our policy--affirming their achievements to keep their initiative in reform, while adhering to the principle that all are equal before the law, and helping them correct their discipline violation problems. This is very necessary in order to protect the honor of advanced units.

3. Auditing supervision is being systematically regularized and institutionalized. In the past 2 years and more, auditing organs have been strengthened, and the scope of their work has been gradually expanded. Now, auditing is periodically done in administrative departments and institutes in Hubei, Anhui, and 19 other provinces, autonomous regions, and municipalities directly under the central government. In some areas, auditing is also periodically done in enterprises on a trial basis. Experiences gained in various localities show that periodic auditing has

many advantages: Timely discovery, checking, or redressing of violations of financial and economic discipline to reduce financial losses or waste by the state; encouraging departments and units to enforce financial and accounting regulations, supporting financial and accounting personnel in performing their duties, and improving the level of financial management; making it clear that state organs, state enterprises, and institutes must accept supervision by auditing organs in income and spending, which is conducive to establishing the authority of the auditing organs; and strengthened regular auditing supervision can substitute for the annual general financial inspection. Since auditing organs are now short of hands, it is difficult for them to do periodic auditing nationwide. They are planning to do so systematically after becoming sufficiently staffed. Efforts will be made to regularize and institutionalize auditing work in a few years.

Currently, in 12 provinces and autonomous regions, auditing of factory directors' (or managers') economic responsibilities is done before they leave their post. Such auditing is mainly to examine and verify whether the profits or losses of their enterprises are true and whether their enterprises' income and spending are legal. Assessing a departing factory director's economic responsibility is helpful to him and to his successor in understanding the property of the factory, gaining experience, and drawing a lesson. This has actually become an effective measure for implementing the system of responsibility by factory directors. This measure should be vigorously carried out before auditing is periodically done at all state enterprises.

4. It is necessary to further strengthen leadership over auditing organs. Practice in the past 2 years or so shows that party and government leaders' attention and support are most important for successful auditing work. Auditing organs are faced with many difficulties, and it is necessary for party committees and governments at various levels to further strengthen their leadership over these organs, to sufficiently staff their leading bodies as soon as possible, to strengthen them with auditing personnel, to support them in independently exercising auditing supervision according to law, and to help them surmount practical difficulties. At the same time, auditing organs should be supported in setting up social auditing organizations on a trial basis, in order to organize auditors in society to play their role under guidance and control by auditing organs.

The above report is submitted for examination and approval. If there is anything inappropriate in the report, please point it out and comment on it.

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CSO: 4006/1169

BEIJING MUNICIPAL DECISION VIEWS AUDITING WORK

OW121202 Beijing XINHUA in English 1040 GMT 12 Jul 86

[Text] Beijing, 12 July (XINHUA)--Administrative, financial and monetary institutions and enterprises in China's capital are forbidden to neglect auditing supervision, according to a decision made by the Municipal People's Congress Standing Committee Friday.

The decision said: "All the departments and institutions under auditing supervision shall not delay and put obstacles in the way of measures and decisions made by auditing departments in line with laws and regulations." They should actively cooperate with the auditing work, the decision said.

With the on-going economic reform in China, auditing work has become more important.

Wang Naiwu, director of the Beijing Auditing Bureau, said that since his bureau was set up two years ago, it has audited the books and eocnomic results of 502 key institutions and enterprises. He said the bureau discovered a total amount of 240 million yuan due to illegal transactions, tax evasion and false reports of profits and losses.

It has also found that 23.47 million yuan was lost because of poor management and improper expenditures, Wang said.

The auditing departments also provide evidence to juridical departments to punish economic criminals, thus safeguarding the interests of the state.

Wang Naiwu said Beijing has basically completed the estabishment of auditing departments at different levels, and 1,400 departments, units and enterprises in the city have set up their own auditing groups. Beijing is training more auditors, he added.

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CSO: 4020/379

AUDIT ADMINISTRATION TO FOCUS ON TAX EVASION

HK120827 Beijing CHINA DAILY in English 12 Jul 86 p 2

[By Staff Reporter Zhu Ling]

[Text] The China Audit Administration is tightening up on lax financial management in a bid to check the serious fraud and tax evasion, an administration official told CHINA DAILY yesterday.

He said auditors had uncovered serious violations of State financial regulations involving 2.4 billion yuan ($649 million) nationwide in the first five months of this year. "This is an increase of 9 percent over the first half of 1985," he said.

The official said 235 offences involving more than 1 million yuan each were discovered between January and May.

In the first five months, the administration checked the books of 34,000 units and "most inspected units were found to have violated State financial regulations to some degree," he said.

The cases involved massive overspending on capital construction, despite frequent government demands for strict controls on the scale and size of such investment. Huge sums were illegally amassed for the projects, he said.

The violations also included fraud and tax evasion--the false declaration of production costs, the concealment and falsification of profits and partial reporting of taxable income.

The official said the administration would gear up its effort to crack down on the tax evasion to ensure the state's tax collection target for this year could be fulfilled.

In the first half of this year, tax departments failed to reach their half-year quotas, collecting 92 billion yuan--2.4 percent short of half the target for 1986.

The shortage was due to the failure of a number of enterprises to pay tax dues on time and "serious tax evasion problem" in some regions, according to an official of the State Taxation Administration.

China's tax departments are being called on to fulfill the tax target on schedule. Taxation income constitutes 90 percent of State revenues.

Last year, China's tax revenues hit 204.79 billion yuan, 125.8 percent over target.

Arrears in industrial and commercial taxes had been steadily increasing over the past six months, the official said, adding: "In some places, state-owned enterprises have been behind with their income tax payments by as much as 30 percent."

Some provincial officials "arbitrarily" granted unauthorized tax exemptions to enterprises in their regions, he said.

The official urged provincial tax departments to take effective measures to speed up tax collection and stem evasion.

In the first half of this year, revenues from industrialized commercial taxes kept pace with the country's industrial production, which grew by 4.9 percent. Income from taxes on retail and service trades increased 24.4 percent compared with the same period last year, to 11.8 billion yuan.

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CSO: 4020/379

ECONOMIC MANAGEMENT

REVOLUTIONARY BASE EXPANDS INTER-PROVINCIAL TIES

OW041414 Beijing XINHUA in English 1202 GMT 4 Jul 86

[Text] Xian, 4 July (XINHUA)--China's historic revolutionary base in northern Shaanxi province has reinvigorated its local industry by expanding economic ties with other parts of China.

Residents of the area, on the Loess Plateau, have a reputation for hard work. While communist forces concentrated there prior to the 1949 liberation, they reclaimed large parcels of wasteland for farming. Yet even with persistent effort, residents of Yanan and Yulin prefectures, until recently, had not been able to make full use of their resources and raise their living standards up to China's average.

"When the Communist Party liberated the area, there were very few factories," a local official told XINHUA. The transportation system was not good, he said. Northern Shaanxi, which depended on financial subsidies from the Central Government since liberation, was widely considered one of China's most impoverished regions.

Looking back, local officials now say they were too insular in their working methods until 1984, when they began appealing to other parts of China for development aid. So far, they told XINHUA, they have made arrangements with 27 provinces and cities to develop their coal, oil, and lime resources and to process local agricultural products.

As a result, nearly 300--or 80 percent--of the area's enterprises have established working arrangements with more than 100 enterprises, colleges and scientific institutes in Beijing, Shanghai and Xian, and Jiangsu, Guangdong and Hubei provinces.

Since last year, local governments have sent 31 economic delegations to other parts of China. They signed 337 contracts, agreements or letters of intent for economic cooperation. Local enterprises have so far attracted 63 million yuan in investment and 600 technical advisers from elsewhere in China.

Some of the resulting changes have been dramatic. For example, Jingbian county in the north of Shaanxi is rich in sea buckthorn, a wild woody shrub which checks soil erosion. But for generations its nutritious orange-yellow fruits were ignored as waste.

Now, thanks to help from a food research institute in Beijing, the county last September was able to begin processing the fruit in a cooperative production venture. The resulting sea buckthorn juice, which its makers say contains more vitamins than other fruit juices, has been selling well in China's cities since distribution began in March.

More than two-thirds of the 58 new products developed in the area in 1985 at least partly owe their existence to help from elsewhere, according to a local official.

One of the area's greatest success stories involves the Yan'an Textile Mill. Until 1984, the mill produced only one product--a denim that attracted few buyers because of its low quality and high price. After the factory became a joint venture with a textile mill in Shanghai in 1984, it improved quality, developed a sensible pricing strategy and increased the number of its products to 27, all with different designs.

As a result, it produced four times what it had--and had buyers knocking down its doors.

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CSO: 4020/379

RENMIN RIBAO ON IMPLEMENTATION OF METROLOGICAL LAW

HK031017 Beijing RENMIN RIBAO in Chinese 1 Jul 86 p 4

[Commentator's article: "Seriously Implement the Metrological Law"]

[Text] The "PRC Metrological Law" came into force on 1 July this year. The metrological law brings China's metrological management work onto the track of the legal system and is an important measure for perfecting China's legal system and ensuring the smooth progress of the economic restructuring. This will play an active role in developing China's industry, agriculture, science, technology, commerce, trade, and international economic and technological ties, and in safeguarding the interests of the state, the enterprises, and the consumers.

The current metrological work in China's enterprises is fairly backward. The current metrological and measuring technology and means of many enterprises are unsuited to production. Due to poor management and the failure to conduct regular checks, the metrological instruments of some enterprises are out of order. Quite a few enterprises have not yet put metrological work high on their agenda. Even in the enterprises which have straightened out metrological work and passed the test for metrological assessment, their metrological instruments still fail to meet the requirements of modern production. All these problems must be seriously solved in implementing the metrological law. No rules means no accomplishment. Modern enterprises command production, monitor and control technology, and test finished products by strict scientific metrological data. Without qualified metrological guarantees, it is impossible to upgrade the quality of products. "A small discrepancy leads to a great error." Some inferior products may cause disastrous effects. Therefore, enterprises must pay serious attention to the metrological law and seriously implement the metrological law. Metrological administration departments at all levels must strengthen supervision and control over enterprises, act according to law, and deal with illegalities.

The metrological work in commercial, trade, medical, public health, safety protection, and environmental monitoring departments has a direct bearing on the safety, health, and property of the people and on the immediate interests of consumers. The metrological law stipulates that the state will conduct compulsory metrological examination in the above departments and trades, which is very necessary. The metrological work in medical, public health, and safety protection fields is weak, with insufficient metrological instruments, some of which are out of order. Accidents have occurred time and again. In the fields of commerce and trade, and in trade fairs in particular, some people play tricks involving metrological instruments to cheat customers, causing much complaint from the masses. Metrological administration and industrial and commercial administration departments at all levels must strengthen metrological supervision and market management, and must seriously investigate and punish illegal traders for their acts violating the metrological law, so as to protect consumers' interests.

The implementation of the metrological law, which involves all trades and thousands upon thousands of people, will meet technical difficulties and obstruction from traditional habits. All areas, all departments, and metrological administration organs at all levels must further do a good job in publicizing the metrological law. Meanwhile, they must strengthen the building of their own ranks and select those who are competent both ideologically and professionally and who are faithful in the discharge of their duties to form law-enforcing ranks so as to ensure the smooth implementation of the metrological law.

/12858
CSO: 4006/1169

REGULATIONS FOR CERTIFIED ACCOUNTANTS ISSUED

OW120007 Beijing XINHUA Domestic Service in Chinese 2354 GMT 9 Jul 86

[Text] Beijing, 10 Jul (XINHUA)--Regulations for Certified Accountants of the People's Republic of China

(Promulgated on 3 July 1986 by the State Council)

Chapter I General Provisions

Article 1 These regulations are formulated on the basis of the provisions contained in Articles 5 and 20 of the "Accounting Regulations of the People's Republic of China" for the purpose of strengthening control over certified accountants and giving play to their role in economic activities in society.

Article 2 Certified accountants are those who have been approved by the state to do accounting, auditing, and certifying work, and to render accounting consultation services as their profession.

Certified accountants work independently, according to the law, and are protected by the state law.

Article 3 The work organization for certified accountants is the accountant office. A certified accountant must join an accountant office before he can be entrusted to do the certified accountant's work stipulated by the relevant laws and administrative statutes.

Article 4 The department supervising certified accountants and accountant offices is the Ministry of Finance at national level and the provincial, regional, or municipal department (bureau) of finance at local level.

Article 5 Certified accountants may form associations of certified accountants in order to safeguard their legitimate professional rights and interests, exchange work experience with each other, and promote domestic and foreign contacts.

Chapter II Examination and Registration

Article 6 Chinese citizens with deep affection for the People's Republic of China, supporting the socialist system, and with college or equivalent schooling and over 3 years' accounting and auditing experience, may apply to take the examination for certified accountants.

When those who have served as senior accountants or as professors, associate professors, research fellows or assistant research fellows in the field of accounting with practical work experience, and those who have college or equivalent schooling or the same educational level with over 20 years of financial and accounting work experience, and are expert in accounting, who apply to undertake the profession of certified accountants, may be exempt from examination if they are found qualified through assessment.

Article 7 Examinations for certified accountants shall be led, organized, and supervised by a national examination committee formed with the approval of the Ministry of Finance. Examination committees formed with the approval of provincial-level departments (bureaus) of finance shall be responsible for the concrete work in this regard.

Specific measures for examination and assessment shall be formulated separately by the Ministry of Finance.

Article 8 When a person has been qualified as a certified accountant by examination or assessment, the accountant office he wants to join shall submit a request to the Ministry of Finance or the provincial-level department (bureau) of finance for approval of his registration as a certified accountant. The name of the certified accountant approved by the provincial-level department (bureau) of finance for certification shall be submitted to the Ministry of Finance for the record. The Ministry of Finance shall notify the approving department (bureau) of finance to recheck any approval found inappropriate.

The Ministry of Finance shall make and issue certificates to approved certified accountants.

Article 9 When a certified accountant leaves the accountant office to which he belongs, that office shall report this to the competent financial authorities for approval and return his certification. If he wants to reenter the certified accountant's profession, a new application for registration shall be filed, according to regulations.

Article 10 No incumbent state functionaries shall act as certified accountants.

Chapter III Scope of Work

Article 11 Certified accountants undertake the following accounting, auditing, and certifying work:

1. Examining accounts, accounting statements, and other financial data and making audit reports;

2. Verifying capital investment of enterprises and issuing certificates for such;

3. Participating in the work of liquidation of dissolved and bankrupt enterprises;

4. Participating in the settlement of economic disputes and helping identify evidence concerning economic cases; and

5. Other accounting, auditing, and certifying work.

Article 12 Certified accountants render the following consultation services regarding accounting:

1. Designing financial and accounting systems, acting as accounting advisors, and providing consultations on accounting and financial work, taxes, and economic management;

2. Filing tax returns for clients;

3. Submitting registration applications for clients and assisting them in drafting contracts, rules, and other economic documents;

4. Training financial and accounting personnel; and

5. Other accounting consultation services.

Article 13 State organs, enterprises, and institutions, as well as individuals, may entrust certified accountants to do the work listed in Articles 11 and 12 of these regulations.

Clients entrusting certified accountants to work for them shall pay a service charge.

Article 14 When certified accountants are entrusted to work for state organs, they are entitled to check the relevant financial and accounting materials and documents, inspect workplaces and facilities, and make inquiries to, and seek verification from, the units and individuals concerned, according to the needs of their work.

When certified accountants are entrusted to work for other clients, and when it is necessary to check materials and documents and conduct investigations, the pertinent terms in the power of attorney signed according to the law shall be complied with.

Chapter IV Work Rules

Article 15 In doing their work, certified accountants shall abide by the state laws and administrative statutes and be based on the related agreements, contracts, and regulations.

Article 16 Certified accountants shall abide by the principle of being fair and objective and seeking truth from facts, and shall be responsible for the accuracy and legality of the contents of their reports.

Article 17 If a certified accountant has an interest in the client or other persons involved in the case, he shall let his accountant office know, and he, himself, withdraw from the case. The client and other persons involved have the right to demand such withdrawal.

Article 18 Certified accountants shall keep strictly secret the materials and information that they have obtained and become aware of in carrying out their work.

Article 19 Certified accountants shall explicitly and accurately point out in their reports any falsehood, irregularities to seek private gains, or other acts in violation of the state law and administrative statutes that they have discovered in carrying out their work. They shall reject any hinted requests from clients for false or improper testimonies.

Article 20 When a certified accountant has violated the work rules, resulting in adverse consequences, the accountant office concerned shall report the case accurately to the higher authorities, and the competent financial department shall give the following punishments according to the situation:

1. Warning;

2. Fine;

3. Suspension of business; and

4. Withdrawal of certification from certified accountants.

Certified accountants, whose acts violate the criminal code and constitute crimes, shall be punished by the judicial organ according to law.

Article 21 If a certified accountant is really incompetent, the original financial organ approving his registration shall revoke such registration, recall his certification, and report the case to the Ministry of Finance for the record.

Chapter V Accountant Office

Article 22 An accountant office is a state-approved institution which, independently and according to law, runs the business of a certified public accountant. It should assume sole responsibility for finance, have independent business accounting, and pay taxes according to law.

Article 23 Those wishing to set up an accountant office should, in accordance with regulations, apply to the Ministry of Finance or the provincial-level finance department for approval. An accountant office approved by a provincial-level finance department should report the office name, rules, and responsible person to the Ministry of Finance for the record.

An approved accountant office should, according to regulations, register with the local industrial and commercial administration. A license is needed for business operations.

Article 24 An accountant office will represent a certified public accountant in exercising professional work. A report drafted by a certified public accountant should bear his signature and be accompanied by an office seal.

An accountant office is permitted to run a business beyond the area of its administrative boundary.

Article 25 An accountant office should uniformly collect fees on an accountant's behalf for the work performed. Standards for fee collection will be set by the provincial-level finance department and other departments concerned and is to be reported to the Ministry of Finance for the record.

Article 26 The Ministry of Finance and provincial-level finance departments will be responsible for business supervision of accountant offices. The accountant office is required to report its business activities, finance, personnel turnover, and other related matters to the concerned finance department on a regular basis.

Article 27 The concerned finance department may, in accordance with the seriousness of the case, issue warnings, mete out fines, order temporary business suspension or even closure of those accountant offices violating this regulation.

Article 28 In cases where a certified public accountant has to check into his client's foreign accounts, the accountant office may, on his behalf, entrust a foreign accountant office, which has a permanent representative office in China, to carry out local investigation and provide supporting documents.

Chapter VI Supplementary Article

Article 29 The Ministry of Finance is responsible for the interpretation of this regulation. Enforcement measures are formulated by the Ministry of Finance.

Article 30 This regulation will go into effect on 1 October 1986.

/12858
CSO: 4006/1169

ECONOMIC MANAGEMENT

WUHAN'S THIRTY POLICIES, OPINIONS ON REFORM

HK031456 Wuhan CHANGJIANG RIBAO in Chinese 15 Jun 86 pp 1, 3

[Report: "Wuhan City CPC Committee and Government Formulate 30 Major Policies and Views"--passages within slantlines published in boldface]

[Text] I. Persisting in Giving First Priority to Reform and Doing Our Work Creatively

/1. All departments and the leading groups at all levels should deeply understand that reform is necessary, difficult, and complicated, and should make gradual progress./ They should continue to heighten their consciousness in carrying out the reform. Reform is the key task for our party and government at present and for a fairly long time to come and is ivtal to reinvigorating Wuhan. We will have no way out if we do not carry out the reform. Our urban economic structural reform is an unprecedented undertaking and there is no existing experience. Surely we will encounter resistance and interference from the old economic model. Therefore, we must conscientiously implement the principle of "consolidation, digestion, replenishment, and improvement," persist in carrying out reform and exploration, solve the problems that have cropped up in our reform by means of deepening our reform, and strengthen our new system by means of perfecting our reform. No matter what difficulty or resistance we may encounter, we should always steadfastly push the reform forward.

/2. The goal of reform is to develop a planned socialist commodity economy, promote the development of the social productive forces, and establish a new type of socialist economic management system with Chinese characteristics./ The leading groups at all levels should switch from the concept of a natural economy and a product economy to that of a planned commodity economy, adhere to the principle of reform, opening up, and enlivening, observe the law of value, and deepen the economic structural reform in light of developing the socialist commodity economy.

We should organically combine macroeconomic control with microeconomic enlivening, quicken our pace to switch from direct to indirect control, apply economic, legal, and necessary administrative means, and promote the development of the commodity economy.

/3. Our enterprises are direct organizers of our productive forces and socialist economic cells. Enlivening our enterprises, in particular large and medium-sized enterprises, is the key to our urban economic structural reform./ Our various departments should foster the idea of serving the enterprises, continue to streamline their administration and decentralize their power, and fully respect and safeguard our enterprises decisionmaking power. Our work in all spheres should open the way for and serve and develop our productive forces, contribute to enlivening our enterprises, give full play to the initiative of those who are engaged in undertakings and production, and gradually fill uor enterprises with vitality and vigor.

/4. In carrying out our reform, we should forge ahead amid exploration and should not "wait for, depend on, or ask for other people's experience."/ As a city where the experiment of comprehensive urban economic structural reform is to be made, we should better emancipate our thoughts, bravely explore the way, and make experiments. The leading groups at all levels, all departments, and all enterprises should oppose the practice of following the beaten path and copying other people's experience, persist in seeking truth from facts, proceed from reality, be good at combining the upper levels' principles and policies with their own practice, be keen in carrying out reform, blaze new trails, and creatively implement principles and policies.

II. Resolutely and Actually Grant Enterprises Decisionmaking Power, and Protect the Power and Rights of Operators and Producers

/5. We should resolutely implement the series of policies and regulations issued by the CPC Central Committee, State Council, and provincial CPC Committee and government./ All the policies and measures on the reform, opening up, and enlivening that the city CPC Committee and government have formulated and have not changed continue to be in force, and every department must resolutely implement them. If a stipulation of city authorities fails to entirely confrom to the specific policies of the relevant upper level departments and indeed needs revision, the relevant departments should not forward revision proposals to the city CPC Committee and government who will revise the stipulation. No department is allowed to revise it without authorization. We should firmly and actually grant decisionmaking power to our enterprises and safeguard this power. Any power that is to be granted to enterprises by written stipulation must not be retained or taken back by any department. In the future, if a certain department at a certain level is found retaining or taking back the decisionmaking power of an enterprise, we should affix the responsibility to its leaders for this malpractice. We should earnestly and satisfactorily grasp the reform in second tier companies and continue to streamline our administration and decentralize our power.

/6. We should persist in implementing the system of factory director (manager, as is the case below) assuming full responsibility. The units that have established this system should persist in carrying out experiments about this system and continue to perfect it. All other state-owned enterprises that are provided with necessary conditions should gradually establish this system in order to ensure that the factory directors there can fully exercise the power of office within the scope of their posts./ A factory director should continue to improve his quality. The major office duties for the party organization of an enterprise are to intensify party spirit education among the party members, supervise and ensure the actual implementation of the party's line, principles, and policies, and satisfactorily grasp party work and ideological and political work. It should give full play to the role of staff and workers congress and earnestly strengthen the democratic administration by staff members and workers. The factory director and secretary should put the whole situation and major issues first and make allowances for and support each other.

The middle-level administrative cadres of an enterprise are to be appointed and removed by the factory director. The vice administrative officials at the factory level and the three chiefs (chief economist, general engineer, and chief accountant) are to be nominated by the factory director, discussed by the party committee, and approved by the upper-level responsible department. A factory director is empowered to mete out awards and punishment to staff members and workers in accordance with the enterprise' staff and workers award and punishment regulations. He is empowered to promote the staff members and workers who have made special contributions, within the promotion quotas fixed by the state. The quotas for cadres and workers are generally separated and the percentages for the promotion of staff members and workers are respectively stipulated by the city government Wuzhenban 1986 Document No. 18. If three percent of the leading cadres at factory level and middle-level cadres are to be promoted, the promotion should be linked with the results of the operation of the enterprise and be carefully and strictly examined. Wage promotion for cadres at factory level must be reported to the upper-level responsible department for approval.

A factory director is empowered to select and employ cadres from among workers in light of the needs of the production work of the enterprise. During their terms of office, they enjoy the same treatment as the cadres at the same levels, but when they are removed from the post of cadres, they do not continue to enjoy such treatment.

/7. An enterprise is empowered to independently decide the setup of its internal organizations and the internal allocation of its work force in light of its actual needs./ However, it should implement the principles of streamlining its administration, conservation, and high efficiency, and control the size of its cadres and personnel. The relevant department should not force on an enterprise a ratio between the size of work force in the corresponding sections of the department and the enterprise. Nor should it force on the enterprise stipulations on the grade and remuneration of the employees in a section in the enterprise. Even less is it allowed to interfere with the decisionmaking power of the enterprise by means of forbidding the enterprise to evaluate its advanced workers, refusing to examine and accept the projects of the enterprise, or to give the title of quality product to the enterprises' quality products.

/8. An enterprise is empowered to independently formulate and deal with its production and management planning under the prerequisite of fulfilling the mandatory plans issued by the state. When the city authorities issue the quotas of the mandatory plans, they should leave some room for maneuver and should not raiae the quotas at each level. They should also persist in refraining from secretly overstating the quotas and ensure that each quota is assigned by only one department./ Within the scope allowed by the state policies, enterprises can exchange their raw materials in various ways.

/9. A medium-sized or large enterprise is empowered to sign contracts directly with its suppliers to directly get its supplies and settle accounts with them and thus reduce unnecessary intermediate links and expenses. The material and goods administrative departments at various levels should not set intermediate obstacles and charge administrative fees./ In regard to the small commodities that are necessary for people's livelihood and the materials and goods related to the production of goods for exports, the relevant city departments should examine their situation and decide that a certain amount can be purchased at high prices and sold at a price equal to the purchase prices. As for the profit from the high sale prices, the financial department should take a share of it as profit delivery just as it does in taking profit delivery from the material and goods administrative departments.

/10. We should persist in consolidating and perfecting various forms of the economic responsibility system and straighten out the internal distribution relations in our enterprises./ Our enterprises have the power to persist in implementing various forms of the economic responsibility system on the basis of persisting in "maintaining advanced and rational base figures, strictly carrying out evaluation and examination, and correctly handling the relations of interests between the state, enterprises, and staff members and workers." They are also entitled to implement various kinds of effective systems in assigning economic responsibility by contracts related to technology, quality, sales and purchases, expenses, funds, and construction projects. They should protect the serious nature of economic responsibility contracts, faithfully carry out contracts, and make people have confidence in them. All the economic responsibility contracts that have been signed between responsible departments and enterprises and between enterprises and their staff members and workers and that have already been executed by one of the parties must be carried out by the other. The implementation of the economic responsibility system enables us to combine various methods of wage payments such as partial wages, floating wages, and bonuses, and thus make our wage system really embody the principle of distribution according to labor, award good workers and punish bad ones, and widen the gap between the wages of various workers. We should not practice egalitarianism nor "eat out of the same big pot."

An enterprise can carry out diverse forms of the sales and purchase responsibility system, but the sales and purchase expenses after the implementation of the system must be lower than that incurred the year before the implementation. The expenses incurred in assigning contracted responsibility for sales and purchase should be treated as sales and purchase expenses (for a commercial enterprise, it can be treated as other expenses, as is the case below.) The differences in awards for contractors for different contributions should be widened. An enterprise can decide on its own the assigning of responsibility for sales and purchase by contracts and then report the responsibility contracts and plans to the responsible departments, the financial, tax, auditing, and labor departments, and banks concerned for the record. When an enterprise that is implementing the system of linking total wages with its economic results implements the system of assigning responsibility for sales and purchase by contracts, it should report to its responsible department and the financial department for approval.

An enterprise that has been implementing the system of factory director assuming all-round responsibility should gradually implement the system of assigning targets to the factory director during his term of office. It should both pay attention to the reserve strength for its future development and protect the managers' rights and interests. This should be implemented in accordance with the city government's Wuzhengban 1986 Document No. 3.

The operation of small state-owned enterprises (including catering, services, barbering, bathhouses, clothing repair shops, and repair and maintenance shops) should be rented in accordance with "Wuhan City's provisional opinions on renting the operation of small state-owned enterprises." We should resolutely support and safeguard the legitimate rights and interests of the collectives and individuals who have rented the enterprises and strictly execute the contracts. As for the collective enterprises that produce the small commodities necessary for people's livelihood, we should adopt flexible methods to conscientiously help them. We should conscientiously implement the policy on encouraging enterprises to be thrifty.

In order to promote production development and give play to staff members' and workers' initiative, this year we will establish a "labor emulation prize."

/11. We should conscientiously implement the State Council's "Regulations on Certain Issues Concerning Continuing to Promote Lateral Economic Cooperations," continue to regard developing lateral economic cooperations as the focus of reform in our city this year, and ensure that this achieves good results./ Our enterprises are empowered to take part in and organize various forms and levels of economic cooperation in accordance with the principle of "voluntary participation, equality, and mutual benefit," and no department is allowed to interfere with them. We should satisfactorily give macroeconomic guidance, do macroeconomic planning, and apply economic means to guide our enterprises and give impetus to them in developing lateral cooperation. Our enterprises should focus on and give priority to the issues related to key marketable products, quality products of well-known brands, and products for export, rely on large and medium-sized backbone enterprises, vigorously organize enterprise groups and group enterprises, vigorously develop the cooperation related to various production factors, and conscientiously promote diverse forms of cooperation between scientific research and production units, between defense and civilian industries, between cities and suburban counties, and between industry and commerce and trade. In regard to the issues relate to funds, supply of raw materials, prices, taxation, and credit in the course of the cooperation, the various departments concerned should provied help through their policies.

/12. We should continue to give play to the important role of our economic levers in enlivening our enterprises./ The various departments that apply economic levers should persist in carrying out the reform and serve the reform. They should adopt flexible policies and relax or impose control where necessary, and they should continue to formulate and adhere to the policies and measures of "supplying water for fish farming" and "breeding hens to lay eggs" that have proved effective, perfect the system to coordinate their policies in an all-round manner, and play their positive role in enlivening our enterprises.

/13. All our enterprises, in particular large and medium-sized ones, should look inward, give play to their strong points, tap their potential, ensure the satisfactory exercise of the power assigned to them by the state, and grasp the internal coordination of their reform./ We should draw up correct management strategies, persist in regarding economic results as the key, rely on technological progress, raise product quality, strive to reduce consumption, vigorously develop new varieties, develop products for export to earn foreign exchange, and continue to improve our ability of self-transformation and self-development. We should conscientiously learn from the experience gained by the Wuhan Iron and Steel Complex, intensify our basic work, improve the quality of our enterprises, persist in unifying responsibility, rights, and interests, establish economic responsibility systems, and observe the party's and state's policies and [word indistinct]. We should continue to improve our administration and management and thus improve the economic results and comprehensive social benefits of our enterprises.

/14. Giving full play to the initiative and creativity of the vast number of staff members and workers is the source of our enterprises' vitality./ The leaders at all levels should respect the masses of people, be strict in correcting themselves, seek truth from facts, be just in doing their work, rouse the masses of people to use their brains and put forward proposals for enlivening their enterprises, and fully esteem the masses' pioneering spirit.

III. Draw a Clear Policy Demarcation Line Between the Economic Structural Reform and Unhealthy Practices

/15. We should correctly understand the relations between reform, opening up, and enlivening, and unhealthy practices./ Reform is an important way to overcome unhealthy practices, while correcting unhealthy pra-tices and cracking down on economic crimes is an important guarantee to promote the reform. We must be firm and unswerving in carrying out our reform, opening up, and enlivening, as we must inrectifying our party workstyle, correcting unhealthy practices, and cracking down on economic crimes. Never should we pit these against each other.

/16. We should draw a demarcation line between creatively implementing the upper-level's instructions and the practice of "you have your policies and I have my countermeasures."/ Within the scope of the state policies and principles and within the scope of their power of office, the management cadres and staff at various levels should make more contributions to enlivening enterprises and improving economic results, creatively implement the upper-level's policies, and adopt some rational and flexible methods. We should vigorously encourage them to do so and bravely support them and we should by no means regard this as equal to the unhealthy practice of "you have your policies and I have my countermeasures."

/17. We should draw a demarcation line between the errors in reform work and the practice of exploiting the loopholes of the reform./ In the process of reform, opening up, and enlivening, and in pursuit of the interests of the enterprise and state rather than in pursuit of the private interests of people as individuals, as we lack experience and as our policies [words indistinct] are not clear, or as our regulations and systems are not perfect, some mistakes and loopholes have emerged. These are problems that have cropped up in our work and should be solved by means of summing up our experience and lessons and perfecting the reform and should not be regarded as unhealthy practices.

/18. We should draw a demarcation line between the implementation of the principle of distribution according to work and the practice of "putting money above everything."/ Distribution according to work is a socialist principle of distribution that conforms to the level of development of our country's productive forces. Adhering to distribution according to work and conducting the practice of paying more to those who do more work, less to those who do less work, and nothing to those who do no work at all is an important measure to break away from the practice of "eating out of the same big pot" and give play to staff members' and workers' initiative. This differs in essence from the ideological tendency of "putting money above everything." Giving play to staff members' and workers' initiative by protecting their material interests and earning corresponding remuneration through proper labor should not be regarded as "putting money above everything."

/19. We should draw a demarcation line between fulfilling economic responsibility contracts and paying bonuses in cash and in kind indiscriminately./ The wages, bonuses, or payments in kind that our responsible departments and enterprises pay in order to fulfill various kinds of management responsibility contracts and to win people's confidence should be regarded as proper distribution of the enterprises and should not be regarded as indiscriminate payments as long as the contracts have been made following proper procedure and as long as the sources of funds for the payment are proper and reasonable.

20. [no boldface as published] We should draw a clear demaration line between entertainment necessary in the business activities of an enterprise and the malpractice of squandering public money to hold big banquets. Necessary entertainment in the process of business contracts between enterprises is normal, but we should set a limit on this expense and impose strict controls over it.

/21. We should draw a clear demarcation line between rational income and illegal profits./ Within the scope allowed by state policies, an enterprise can develop diversified undertakings to increase its income, collect rational charges in carrying out scientific, technological, and product development and providing management advisory service, receive payments for transference of achievements of scientific and technological research, and their scientific and technological personnel can get remuneration for the technological advisory services that they provide in their spare time according to regulations. All these should not be regarded as illegal gains. The income earned by enterprises should all be put under their financial management.

/22. We should draw a clear demarcation line between the just rights and interests of enterprise leaders and the malpractice of exploiting one's power of office to pursue one's private ends./ Our enterprise leaders should set examples by their own deeds and refrain from exploiting their power of office to pursue their private ends. The upper-level departments should pay attention to giving full play to managers' initiative and protecting their just rights and interests. In accordance with the policies from above or with the consent of the staff and workers congress of the enterprise, the leaders of an enterprise can get their just interests including allocation of housing area, wage promotion, and bonus payments. We should not regard these as scrambling interests with the masses and exploiting their power of office to pursue their private ends.

IV. Earnestly Protect Our Cadres and Masses' Initiative in Carrying Out the Reform and Create a Fine and Relaxed Environment for the Reform

/23. All the departments in our city and the leading groups at all levels should warmly support and protect the reform initiative of the vast number of cadres and masses, in particular the comrades who take the lead and are brave in carrying out the reform, and should encourage them to deepen the reform./ The propaganda departments at all levels in our city and all the press units should intensify their propaganda about the reform, praise advanced reformers, popularize advanced reform experience, and create an atmosphere all over our city of "supporting and taking part in the reform and giving merit to those who bravely carry out the reform."

/24. We should correctly treat and prudently handle the reformers' errors and shortcomings in their reform work, fully confirm their achievements, help them sum up their experiences and draw lessons, and encourage them to continue to explore the way and forge ahead. In regard to the various kinds of difficulties and rumors that reformers have encountered, the upper levels should remove and clarify these in a just and clear-cut manner./ In dealing with the problems that have cropped up during the reform, the party organizations and discipline inspection departments at all levels should consider their historical background and should not simplistically apply current policies and regulations to past cases. As for the common problems which have emerged becuase the upper levels have not formulated clear regulations, in dealing with them, we should start by heightening people's awareness and carry out positive eduction. As for the cases of attacking and vilifying reformers, the party organizations at all levels should sternly investigate and handle these cases.

/25. Reform needs not only a fine economic environment, but also a relaxed political, cultural, and social environment. The construction of spiritual civilization should open the way for the development of the new productive forces./ In light of the demand of the development of the planned commodity economy, we should change the old ideas and thoughts, systems and patterns, management methods, and workstyle, carry out research, and probe the various kinds of reform in our political and cultural spheres and enable it to coordinate the economic structural reform and thus deepen the development of the reform.

/26. We should rectify our party workstyle and overcome bureaucracy. The leading organs and comprehensive departments at all levels should foster the idea of "leadership means service," serv the basic level and enterprises, help them overcome their difficulties, and continue to raise their work efficiency./ In evaluating the performance of our leading organs and comrades, we should see whether they push the reform forward with their creative work, whether they have stimulated our enterprises to improve vitality, and whether they have continued to study the new situation and problems and thus put forward new methods to help enterprises overcome the difficulties that have emerged in their reform and production. We should seriously investigate and punish the departments and work personnel who have neglected their duties, shifted their responsibility, resisted and refused to carry out the correct regulations and instructions from the upper levels, and even created difficulties, causing enterprises to encounter troubles and suffer financial losses. Our departments in charge of enterprises and our economic levers and supervision should all be subordinate to and serve the reform, conscientiously and satisfactorily do the work related to overall planning, coordination, service, and supervision, help enterprises correctly implement various economic policies, and urge enterprises to make their activities meet the requirements of macroeconomic development.

/27. We should reduce our enterprises' social burdens and our enterprise leaders' workloads./ We should resolutely implement the series of regulations of the State Council and the provincial and city authorities on prohibiting the indiscriminate apportioning of expenses, collecting of charges, and imposing of fines. Our enterprises are empowered to refuse to pay these if they are changed in violation of the regulations. Our financial, taxation, and auditing departments should intensify their examination and supervision of these, and our banks are entitled to refuse payments for indiscriminate charges on our enterprises.

When the various departments hold meetings of the line of trade or carry out the ordinary work of inspection and reception, they should refrain from forcing major party and administrative leading comrades of the enterprise to attend or accompany and thus enable these comrades to focus their energy and time on the enterprises' work of production, management, and reform. In doing their work at the basic level, the various departments should solve problems and inspect the implementation of the policies mainly through investigation and study and through working on the spot.

/28. In order to promptly solve the problems in industrial production and economic reform, we should earnestly intensify our leadership and production arrangement./ Our departments at all levels should periodically study the new situation and problems in the process of persisting in carrying out the reform and enlivening our enterprises and promptly adopt vigorous policies to solve them. The leading comrades of our city CPC Committee and government should lead the responsible comrades of various departments to continue to carry out on-the-spot work for key large households and households in difficulty. Every department should conscientiously and resolutely carry out the things that have been decided on.

/29. Our economic structural reform is a profound revolution./ We must adhere to the principle of simultaneously grasping the "two civilizations," closely combine our reform with the reality of our economic construction, strengthen our political and ideological work in light of the reality in our cadres' and masses' minds, effectively answer and solve the problems in our reform, rouse our vast number of cadres and masses of people to carry on the spirit of reform, blazing new trails, and forging ahead through exploration, strengthen their confidence, overcome the difficulties, and push the reform and construction forward.

/30. In case of any conflict between the regulations stipulated by previous documents of the city CPC Committee and government these views should be taken as the norm./

The spirit of the above principles is also applicable to the central enterprises in Wuhan.

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CSO: 4006/1164

ECONOMIC MANAGEMENT

BRIEFS

ENTERPRISES ENHANCE QUALITY CONTROL--Beijing, 7 July (XINHUA)--China's 6,000 larger industrial enterprises are intensifying total quality control (TQC), the State Economic Commission said today. The commission said State-owned enterprises are setting up quality control task forces directly responsible to factory managers and checking products throughout manufacturing and distribution. Quality can be improved, according to the commission, by linking bonuses work meeting high standards, by retooling, by following useful suggestions for changing products and manufacturing processes and by making management more systematic. The move toward greater quality control follows last month's call by State Councilor Zhang Jingfu for international standards in China's factories. So far, 1,300 of China's State-owned enterprises are manufacturing products up to those standards, the commission said, while others are expected to reach the standards in two to five years. [Text] [Beijing XINHUA in English 0623 GMT 7 Jul 86 OW] /12913

PRICES FOR TV SETS--Beijing, 7 July (XINHUA)--Prices are dropping by 3 to 9 percent for 94 brands of Chinese black and white TV sets in 86 specifications, averaging a 25-yuan drop per set, Li Tieying, Minister of Electronics Industry, announced here today. Chinese consumers may save a total of 250 million yuan a year as the present national demand for such TV sets is about 10 million, the minister added. The decision to cut the prices of black and white TV sets was made by the Chinese government earlier this year. China now produces 12 million black and white TV sets a year. They are close or up to their international counterparts in terms of quality, and large numbers of Chinese-made black and white TV sets have entered world markets, according to foreign trade sources. The upgrading of integrated circuits in the black and white TV sets has helped reduce the production cost by 25 percent per set, facilitating the present price cuts, Li Tieying explained. While 95 percent of the households in urban China have TV sets, only 10 percent in rural China have such consumer durables. In the past several years, sales of black and white TV sets in the rural areas rose by an average 49 percent a year. Therefore, he said, his ministry is now joining the commercial departments and TV manufacturers to promote the sales in rural China. The recent 15.8 percent decrease in the RMB yuan exchange rate will not lead to a rise in the prices of color TV sets which are manufactured largely with imported parts, the Minister said. [Text] [Beijing XINHUA in English 1217 GMT 7 Jul 86 OW] /12913

BUSINESS EXECUTIVES COMPETENCY TESTS--Beijing, 11 July (XINHUA)--The fifth group of Chinese business executives began four days of competence tests throughout China today to determine if they will keep their jobs in China's State-owned enterprises. Altogether, more than 100,000 people have taken the examinations, which test knowledge of economic policy and management techniques. About 90 percent of the executives have passed the exams, according to government officials. Introduced in 1984 at the suggestion of Premier Zhao Ziyang, the testing system is designed to encourage executives to acquire expertise and improve their work. Those who fail the exams are given another opportunity to pass. If they fail again, they will be liable to lose their positions. Officials said testing of executives of all but the smallest State enterprises should be completed this year. [Text] [Beijing XINHUA in English 1223 GMT 11 Jul 86 OW] /12913

JIANGXI-JAINGSU COOPERATION--Jiangxi Province has promoted a sustained economic growth by carrying out economic and technical cooperation with Jiangsu Province. Currently, 19 prefectures, cities, counties, and townships in Jiangxi maintain cooperative relations with 20 prefectures, cities, countries, and townships in Jiangsu. Jiangxi has 12 offices and economic showrooms in various parts of Jiangsu. The two provinces have reached agreement on 319 cooperative projects, 120 of which have been put into operation. In recent years, Jiangsu Province has provided much technical assistance to our province in the light, textile, and paper industries, which have helped speed up technical transformation in existing enterprises in Jaingxi. In 1985, Jiangxi shipped 980,000 cubic meters of timber to Jiangsu. This year, it will provide 20,000 metric tons of steel ingot to Jiangsu. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 29 Jun 86 OW] /12858

CSO: 4006/1169

INDUSTRIAL EQUIPMENT FROM OVERSEAS CHINESE EXEMPT FROM TAXES

HK030527 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1238 GMT 1 Jul 86

[Text] Beijing, 1 Jul (ZHONGGUO XINWEN SHE)--According to a recent circular issued by the General Administration of Customs, fire engines, refuse vehicles, watering cars, dump trucks, ambulances, and derrick cars donated by overseas Chinese and Hong Kong and Macao compatriots to their hometowns will be exempted from customs duties like trucks.

The circular pointed out that micro-computers and closed circuit television (not including video recorders) for teaching purposes donated by overseas Chinese and Hong Kong and Macao compatriots to schools or scientific research units will also be exempt from customs duties provided an import license is obtained with the approval of the relevant departments.

According to the document issued by the State Council in January this year, the units in China that receive 19 kinds of machinery and electronic products, including motor vehicles, computers, and television sets (on which the state has imposed import restrictions) donated by overseas Chinese and Hong Kong and Macao compatriots should pay import taxes according to relevant regulations. Apart from lifting the restrictions on the two areas mentioned above, the supplementary circular of the General Administration of Customs, in implementation of the State Council document, also gave a tax exemption to donated machinery and electronic products (not including motor vehicles)--especially for scientific research, teaching, medical, and public welfare purposes--received by units that obtained approval before January this year.

Regarding the donated machinery and electronic products received by the party and government organs at various levels, trade unions, and youth and women mass organizations, the circular pointed out, the stipulations of the State Council should be strictly enforced and customs taxes should be collected or exempted on a license basis.

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CSO: 4006/1169

FINANCE AND BANKING

TAXATION BUREAU PLANS STRATEGY TO MEET ANNUAL TARGET

HK110205 Beijing CHINA DAILY in English 11 Jul 86 p 2

[By Staff Reporter Zhao Jinming]

[Text] China's tax departments are being urged to redouble their collection efforts to fulfill and even surpass the annual budgeted target.

A national conference on taxation is now being held in Beijing to map out a new strategy for the second half of the year. The 10 day meeting, which opened on Wednesday, comes at a time when tax departments failed to reach their half-year quotas, an official of the Taxation Bureau under the Ministry of Finance told CHINA DAILY. He declined, however, to give reasons for the under-collection.

Last year, the country's tax revenues reached 204.79 billion yuan, 125.8 percent over target. The surplus was credited to a brisker-than-expected economy. To remedy the situation, the Taxation Bureau has worked out a series of measures.

Greater emphasis will be placed on promoting production and tapping new financial resources. Tax department links with businesses provide a framework for helping producers turn out badly needed goods, lower production cost and improve product quality, the official said.

Tax departments should also lend a hand to businesses in making efficient use of funds and speeding capital circulation. Management of tax collections must also be tightened and tax loopholes closed, he said.

As mandatory planning over the national economy is gradually replaced by guidelines and market regulation, new regulations for tax collection and management must be drafted, taking into account different trades sectors, the spokesman said.

Requests for reduction or exemption from taxes must be strictly monitored. Only those meeting specified criteria should enjoy preferential tax treatment. When a tax break expires, tax departments should be diligent in swift resumption of collection, he said.

A national crackdown on tax evaders will be launched soon. Tax departments across the country should mobilize themselves for the campaign, he said.

A national crackdown against tax evasion launched last October resulted in revenues totalling nearly 2.8 billion yuan.

The official said the country's economic situation is improving, providing the tax base for fulfilling annual collection targets. But the official admitted that meeting target this year will be no easy task for tax departments aiming to meet quota.

The country's industrial output in the first half of this year grew by 4.9 percent to reach 428.44 billion yuan ($115.8 billion). The annual growth target this year is 8 percent, according to the State Statistics Bureau.

After accruing a surplus of about 2.8 billion yuan in 1985, the State budget for this year balances revenues and expenditures at 214.1 billion yuan, according to a report by Wang Bingqian, State Councillor and Minister of Finance.

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CSO: 4020/379

FINANCE AND BANKING

BRIEFS

FOREIGN, DUAL CURRENCY BONDS--Beijing, 11 July (XINHUA)--China had issued more than 1.86 billion U.S. dollars of foreign bonds since January 1982, an official from the State Administration of Foreign Exchange Control told XINHUA today. About 68 percent of the sum was issued in Tokyo, and the rest in Frankfurt and Hong Kong by the Bank of China, the China International Trust and Investment Corporation and its two branches in Shanghai and Fujian province. The biggest batch of bonds were issued in Japan in March of this year. It totaled 50 billion Japanese yen. To cope with the changes on the International Monetary Market, the official said, the Bank of China also issues a kind of dual currency bond, which can be bought with Japanese yen and paid in U.S. dollars. It introduced floating interest rates last month, the official added. [Text] [Beijing XINHUA in English 1431 GMT 11 Jul 86 OW] /12913

CSO: 4020/379

MINERAL RESOURCES

BRIEFS

XINJIANG WELCOMES FOREIGN PROSPECTORS--Beijing, 27 Jun (XINHUA)--Northwest China's Xinjiang Uygur Autonomous Region welcomes foreign experts and prospecting teams to help in its mineral exploration, said Song Hanliang, secretary of the Communist Party Committee of the region. He was quoted in the overseas edition of today's PEOPLE'S DAILY as saying that Xinjiang, which has rich natural resources, will become a major production base for minerals in the next century. Xinjiang has so far discovered 121 kinds of minerals, with proven deposits of seven of them ranking first in China. Song said that Xinjiang has bright prospects for the production of coal, petroleum, rock salt, copper, nickel, aluminum and zinc. In addition, there are good possibilities of finding deposits of gold, platinum, diamonds and sylvite, in light of geological conditions and existing data. In order to exploit its mineral wealth, Xinjiang needs not only support from other parts of the country, but expansion of cooperation with foreign experts and imports of advanced technology and equipment. [Text] [Beijing XINHUA in English 0944 GMT 27 Jun 86] /9604

RARE EARTH PRODUCTION IN BAOTOU--Hohhot, 27 Jun (XINHUA)--Thirteen factories and research institutes from northern China joined forces today to step up the production of rare earth at Baotou, Inner Mongolia. A local official said that the State Economic Commission had helped to launch the big cooperative effort. The government was keen to tap the full potential of rare-earth production in the region, he said. Baotou, a big steel-production city, has 80 percent of the country's reserves of rare earth which is used in electronics, nuclear energy, glass and ceramics industries. The official did not disclose the exact amount, but said: "It is possible that Baotou has more rare earth than any other part of the world." The 13 factories and institutes will cooperate in the use of advanced technology, and exchange the latest information on domestic and foreign markets. [Text] [Beijing XINHUA in English 1533 GMT 27 Jun 86] /9604

NATIONAL MINERAL RESOURCES SURVEY--Beijing, 9 July (XINHUA)--China now has nearly 130,000 mines which produced 1.3 billion tons of various minerals in 1985, according to the latest issue of CHINA GEOLOGICAL JOURNAL. The biweekly journal carried the results of China's first national survey of the exploitation of mineral resources which was completed at the end of last year. Mining output in 1985 was more than 30 times over that in the early 1950's, the paper said. At present, state-owned mines above the county level come to more than 6,000. The others are small mines run by collectives and individuals. According to the survey, China has so far found 136 kinds of

mineral deposits, compared with 18 kinds before 1949. The survey shows that many mines have made efforts to improve management and raise the recovery rate of minerals. More efforts are needed to reduce waste further, it said. Of the country's 97 key open-cast mines, 60 percent have a recovery rate of over 90 percent. The recovery rate of some 100 ore-dressing plants out of 207 surveyed is 80 percent. However, the country's underground mines average only about 50 percent. [Text] [Beijing XINHUA in English 0642 GMT 9 Jul 86 OW]
/12913

CSO: 4020/378

FOREIGN TRADE AND INVESTMENT

CHINA FLOATS FIRST U.S. DOLLAR BONDS ON EUROPEAN MARKET

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 30 Jun 86 p 13

[Article: "China Poised for Leaping into the International Capital Markets--Background of the Loan Issue in Frankfurt--More of a Matter of Principle than Money"]

[Text] Luxembourg, 29 June--The $200 million loan of the Chinese State Bank in Europe, in the form of a floating rate loan, was accommodated on the Euromarket as soon as the agreement was signed. The buyers were exclusively institutional investors (banks, insurance companies and pension funds). China and the Deutsche Bank AG, acting as consortium underwriters, were able to take advantage of the favorable conditions existing.

The real European capital market for straight bonds is currently flooded. For this reason the major investors are "parking" their available cash in the money market. For this purpose they like to use floating rate issues, of which there are not too many available on the Euromarket. These variable interest paying loans offer as a rule a better rate of interest than does a direct dollar investment on the European money market. In the case of the China loan, this amounts to one-sixteenth percent above the current six-month interest for dollars in London.

Inasmuch as the interest rate for "floaters" is adjusted to the money market rates every six months, the "floaters" usually sell at about par. The China loan in Luxembourg is presently quoted exactly at par. The loan will probably be shortly offered on the German Euromarket in Luxembourg, but not in London nor in Frankfurt.

The reason China is presently straining to enter the European capital market, even though Beijing had been notified of resistance by the Bank if England, is tentatively explained in Luxembourg as follows: the Bank of England insists that China would have first to pay its old pre-war debts, before the British issuing bank could give the green light to its correspondent banks for new China loans in London. The principle involved is that a debtor nation must remain willing to continue payments despite a change in its government or governmental system.

China on the other hand refers to the "unequal agreements," which it had been "forced" to sign with the West prior to the communist era and which Mao had later declared null and void. Within the framework of the "liberation philosophy" the disregard of such old debts plays an important part. Chinese school text books still celebrate this action of Mao's. From the Chinese viewpoint it was considered a breakthrough that despite the renunciation of old debts the country was nevertheless able to take its first steps in the international capital market in Europe.

On the other hand, the Bank of England is still in a position to insist that it had maintained its position. However, in the opinion of observers, the positions appear to have softened nevertheless. On the occasion of signing the loan agreement, the chief of the Chinese delegation was heard to say in front of a large audience that "now consideration will be given to matters which had occurred in the past." This is interpreted to mean that China would make overtures to its Western oldtime creditors. If this would remain nothing more than a declaration of good intentions, it would surely put a damper on Western banks' readiness to be of further assistance to China.

The fact that British banks in Hongkong participated in the Frankfurt China loan can be easily explained. English bank subsidiaries and branches in Hongkong are already thinking about the year 1997, when China assumes sovereignty over the crown colony. Therefore, the banks which bought a share of the China loan via Hongkong, want to continue to do business with the Chinese.

Euromarket observers believe that China is making careful preparations for a "major entry into the international capital market" and that the Frankfurt dollar loan represented a first step. They believe further that the issue was not the $200 million, which they could easily have obtained on the credit market. China also appears to be intensifying its activities in the European market with a sidelong glance at the USSR. A Chinese official asked a German banking representative: "Would you have sold that kind of a loan to Moscow today too?"

9273/9435
CSO: 4620/53

FOREIGN TRADE AND INVESTMENT

DAILY DISCUSSES TRADE TIES WITH THAILAND

BK021223 Bangkok XIN ZHONG YUAN RIBAO in Chinese 28 Jun 86 p 16

[Column by He Yun: "Suiting the Remedy to the Case and Achieving an Improvement"]

[Text] A few days ago, thanks to arrangements by ESCAP official Liu Anpeng, I had a chance to have lunch with the deputy director of China's International Trade Research Institute, Sun Hanchao, who was staying in Bangkok for two days on his way home from an ASEAN economics and trade seminar in Singapore. He was accompanied by Pang Rongqian, who used to be stationed in Bangkok. Mr Pang has been promoted to section chief in charge of Sino-Thai trade research. His work "The Sino-Thai Economic Relations Problem" is very well written, based on survey and research. It is now being published in installments in our paper's economic section. [processing not planned] During lunch we discussed Sino-Thai trade relations. Sun Hanchao admitted that the pace of progress in Sino-Thai trade is not ideal; it is almost at a standstill.

"Then, which country in ASEAN does the best Chinese business" I asked.

"Singapore has achieved the most. They are very good at business. Malaysia's trade with China has made no progress. Now, the Malaysian side blames this not only on Singapore, but also on China. They think that Sino-Malaysian trade should not be done through Singapore but should be done directly...." Deputy Director Sun said.

In fact, it is not surprising that Sino-Malaysian trade has stagnated because Malaysia is still on its guard against China. Its people cannot visit China freely. There are age restrictions on Malaysians visiting China. Although businessmen are not subject to work controls, they do have to obtain visit approval from the authorities. With all this inconvenience, how can they do good Chinese business?

Thailand's objective terms are far better than those of Malaysia. There are no restrictions on contacts between the two countries. Yet, we still do not obtain good results in trade with China. Deputy Director Sun and Section Chief Pang realize that both sides should discuss this problem seriously and make a breakthrough. Currently bilateral trade between the two countries is at a low tide.

"We should try to find out what other Chinese products the Thai market needs and what other products Thailand can export to China," Deputy Director Sun stressed.

He knows that China and Thailand are both agricultural countries. Both have almost the same products. As a result, it is difficult to make a deal. China's canned food used to be very popular in Thailand. However, Thailand is catching up in producing canned (word indistinct) China's canned litchis sold well in Thailand. Now the quality and taste of Thailand's canned litchis is not inferior to China's. In fact, some people prefer Thai canned litchis for their tart flavor.

Deputy Director Sun knows that the China's medicinal materials business is unmatched. No country can compete with China in this field. So, people doing business in Chinese medicinal materials should, indeed, be making a good profit. However, in recent years, Thai medicinal materials merchants, like Hong Kong's traditional Chinese medicine traders, have suffered big losses. They are lucky if they do not suffer losses; there is no way of talking about profits.

This is not because of the unfavorable economic situation; it is due to China's trade system. First there was strict control; then, it became loose. It always goes from one extreme to the other. As a result, nobody can benefit. China suffers losses while Thai businessmen suffer hardship.

There may be some people who do not believe that before the establishment of Sino-Thai diplomatic relations merchants trading in Chinese traditional medicines could make a profit. Be that as it may, business became more difficult after the establishment of diplomatic ties. This is strange. It merits serious discussion by both sides.

Deputy Director Sun, of course, realizes that China also has a problem. If control is too strict, the local people are not happy. But, if it is too loose, the businessmen have a headache. The best way is to find a middle way.

Because of the good terms between the two countries, Sino-Thai trade should be better developed and show more achievements. "Since both sides have admitted that trade between them is not ideal and have discovered the causes of the problem, I think that we should "suit the remedy to the case" so that the problem can be resolved and an improvement made.

We hope that both sides can face reality and jointly correct mistakes and solve the problem sincerely. Thailand and China are already close friends, and sweet words are unnecessary. The two countries must effect an improvement in bilateral trade relations.

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CSO: 4006/1165

FOREIGN TRADE AND INVESTMENT

FIRST PUBLIC RELATIONS FIRM STARTS OPERATIONS

OW031146 Beijing XINHUA in English 1135 GMT 3 Jul 86

[Text] Beijing, July 3 (XINHUA)--The China Global Public Relations Company, the first public relations firm in China, was formally inaugurated here today.

The company's goals are to develop public relations in China, promote mutual understanding between Chinese and foreign businesses, and serve as the link between China and foreign countries.

Speaking at the inaugural ceremony, Yu Xiaohuai, chairman of the company's board of directors, said that as one of many subsidiaries of the China Media Development Inc., his company can coordinate resources with the other sister companies. The subsidiaries have advanced telecommunications facilities and a wealth of data and information, he added.

Yu said that his company has close ties with many government departments, companies, and enterprises and can provide domestic and foreign customers with prompt, accurate and high-quality services.

In fact, Yu noted, the new company had started public relations operation before it was officially inaugurated today. In August 1985, he recalled, its predecessor, the public relations department of the China Media Development Inc., signed an agreement with Burson-Marsteller, the largest public relations corporation in the United States.

Over the past 10 months, the predecessor company has provided various types of public relations services for more than 20 large companies from the United States, Canada, Britain, Sweden and Singapore, as well as for the International Finance Corporation of the World Bank.

In addition to its agreement with Burson-Marsteller to provide services for that firms' clients in China, Yu said, his company will offer services to its own customers, Chinese and foreign. "In this way we will try to best play our role in China's public relations activities," he said.

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CSO: 4020/373

GANSU GOVERNOR URGES $100 MILLION IN EXPORTS

HK081440 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 7 Jul 86

[Text] At the provincial work conference on earning foreign exchange in exports which concluded yesterday (7 Jul) afternoon, Governor Jia Zhijie proposed: Opening to the outside world is a strategic measure for invigorating our province's economy. We must make use of the current favorable situation in the international market to export more and to earn more foreign exchange. We must strive to make the total amount of foreign exchange earned in exports by our whole province exceed $100 million this year.

Over the past few years, foreign trade departments of our province have seriously implemented the economic policy of opening to the outside world and invigorating the domestic economy and constantly created a new situation. During the Sixth 5-Year Plan period, provincial foreign trade departments exported grain, native livestock products, medical goods, textiles, metals, minerals, chemical industrial products, nonferrous metals, machinery, and equipment by themselves without relying on ports or other places to do export business. They kept closer the relationship between production and marketing and deepened their understanding of the market abroad, thus promoting the development of foreign trade. The total amount of foreign exchange earned in exports by our province in the 5 years reached $250 million. The amount of foreign exchange earned in exports by our province in 1985 was $70.94 million. Our province brought to an end the $40 million a year of foreign exchange earned in exports over a long period of time in the past.

Since the beginning of this year, provincial foreign trade departments have vigorously organized the sources of goods to expand exports to earn foreign exchange. The amount of foreign exchange earned in exports by our province by the end of June was $37.96 million, which recorded an increase of 74 percent over the same period last year. Half of the quota for half a year was fulfilled.

Vice Governor Zhang Wule also spoke at this conference. He demanded: All exported product production enterprises and foreign trade departments throughout our province must correctly handle the relationship between sale at home and sale abroad and between immediate interests and long-term interests, strengthen the building of the existing bases of exported products, develop new exported products and production bases, further enhance our province's ability to earn foreign exchange in exports, and create conditions for invigorating Gansu's economy.

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CSO: 4006/1165

MONGOLIA'S BATMONH ON ECONOMIC PERFORMANCE, TIES

OW290820 Beijing XINHUA in English 0701 GMT 29 May 86

[Text] Ulaanbaatar, 29 May (XINHUA)--Mongolian leader Jambyn Batmonh Wednesday criticized some departments for missing economic targets and urged more effective management methods to shake up the country's sluggish economy.

In his lengthy report to the 19th Mongolian People's Revolutionary Party Congress, Batmonh, the secretary general of the party, said Mongolian national income registered a 37 percent increase in the past 1981-1985 years, but he complained that main targets had been missed in several sectors, particularly in livestock farming.

He attributed the poor economic performances to indiscipline and the lack of a sense of responsibility on the part of Mongolian managing officials and workers. The Mongolian leader criticized the energy, power, construction and forest industries as well as the agricultural and light industrial sectors for using management methods that are too "formalistic."

Batmonh stressed the need to choose and use more effective management methods to realize Mongolia's full economic potential and improve the quality of goods during the next 5 year (1986-1990) plan.

Noteworthy in Batmonh's report was his promise to grant more decision-making power to enterprises and at the same time improve central planning and management.

Batmonh also emphasized the need for greater advances in science and technology in Mongolia.

According to the economic report by Mongolian Premier Dumaagiyn Sodnom to the congress, national income will go up by 26-29 percent in the next 5 years, while annual agricultural production is to be an average of 18-20 percent higher than in the past 5 years and gross industrial production is to grow by 30-34 percent.

On the country's foreign policy, Batmonh said the "all-round promotion of the cause of strengthening security in the Asian continent is the major direction of the foreign policy activities of the party and state."

Emphasizing the importance of strengthening ties between Mongolia and the Soviet Union and other socialist countries, Batmonh said such close cooperation is the best guarantee of successful economic construction in the country.

Turning to relations between Mongolia and China, he said that "the Mongolia People's Republic consistently pursued its principled course towards normalizing relations with the People's Republic of China."

"The development of goodneighborly relations and mutually beneficial cooperation between the two countries on the basis of strict observance of the principles of equality and non-interference in the internal affairs of each other meet the interests of the Mongolian and Chinese peoples and socialism," Batmonh added.

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CSO: 4020/370

FOREIGN TRADE AND INVESTMENT

BRIEFS

GUANGDONG-HONG KONG VENTURES--Guangzhou, June 21 (XINHUA)--Joint ventures between Guangdong Province and Hong Kong are becoming competitive on the international market, according to local officials. The province has 22 enterprises which combine industry and commerce, or agriculture and commerce, making production and marketing a coordinated process. Six of them have built production centers in Hong Kong, and the others have their bases in Guangdong. Such joint ventures give full play to the natural and human resources of the mainland. They also make use of Hong Kong's management expertise and have quicker access to information, the officials said. As a result, their products are competitive on the international market, they said. A fashion company, jointly run by a Hong Kong firm and the Provincial Textile Import and Export Company, is expected to produce 20 million U.S. dollars worth of garments this year, and the annual net profit is estimated to be 40 percent more than 1985. This summer, it has exported 180,000 shirts in addition to tens of thousands of western suits and dresses. The company attributed its success to the constant study of European and American market. The job has been done by four experts from the United States, who began to work for the company early last year. The Yuejia Company specializes in the production of rice noodles, a popular food in the province. The company, with a successful network to promote sales, now supplies Hong Kong and Macao with 90 percent of its requirements of such products. The company is a joint venture between the Guangdong Province Food and Oil Import and Export Company and 11 enterprises in Hong Kong. [Text] [Beijing XINHUA in English 0137 GMT 21 Jun 86 OW]

HONG KONG-U.S. HOTEL--Hong Kong, June 26 (XINHUA)--An American hotel firm and a Hong Kong company will jointly open a hotel in the scenic city of Guilin in South China's Guangxi Zhuang autonomous region, in June 1987. Ramada International Hotels, the U.S.-based third-largest hotel chain in the world, and China Trade-Omni Development Center Ltd. of Hong Kong signed an agreement recently on the operation of the new hotel. The hotel will have 354 large rooms, a 360-seat coffee shop, and three restaurants featuring Chinese, Japanese and Continental cuisine. Ramada has also started the construction of eight other hotels with a total of over 3,000 rooms--in Beijing, Xian and Hong Kong. [Text] [Beijing XINHUA in English 1424 GMT 26 Jun 86 OW]

SINGAPORE EXPORTS TO PRC--Singapore, June 25 (XINHUA)--Singapore's exports to China for the first three months of this year jumped 82 percent to 294.4 million Singapore dollars (133.82 million U.S. dollars), compared with 161.9 million Singapore dollars of the same period last year. The two-way trade for the same period reached 1.182 billion Singapore dollars, up 10.7 percent from last year's 1.067 billion dollars, according to the Department of Statistics. China's exports to Singapore dropped by 2 percent, from 905.5 million to 887.6 million dollars due mainly to the steep fall in the price of petroleum, which formed 59 percent of Chinese exports. Main items of Singapore sold to China were television sets, plastics, civil engineering equipment and parts, curde rubber and iron ore. Singapore's major import items from China were crude oil, refined petroleum products, woven cotton fabrics, woven synthetic fabrics, dried food and nuts. China was Singapore's fourth largest trading partner last year. Trade between the two countries last year was valued at 5.8 billion Singapore dollars. It accounted for 5 percent of Singapore's external trade. [Text] [Beijing XINHUA in English 1012 GMT 25 Jun 86 OW]

THAI RUBBER SALES--Bangkok, June 24 (XINHUA)--Japan and China are becoming the main markets for Thai natural rubber, replacing the United States and Europe, the local paper BANGKOK POST reported today. The paper quoted a leading Thai rubber exporter as saying that this was because the U.S. and Europe tended to import more tires instead of natural rubber. He said that the combined natural rubber imported by the U.S. and Britain from Thailand and other countries in 1975 totaled 840,000 tons while the import by Japan amounted to 500,000 tons. "But in 1984, the combined import by the U.S. and Britain amounted to 860,000 tons, a slight increase from the last ten years, while import by Japan and China totaled 920,000 tons," he said. He forecast that the demand for natural rubber in the U.S. and Europe would drop further. "So, to maintain the export volume of the country's natural rubber, we should try to seek new markets in Eastern Europe, in addition to the Asian markets," the exporter said. Thailand produces more than 500,000 tons of natural rubber annually, of which over 450,000 tons are exported, making the country the world's third largest exporter of rubber after Malaysia and Indonesia. [Text] [Beijing XINHUA in English 0640 GMT 24 Jun 86 OW]

CONTRACTS WITH MONGOLIA ON BORDER TRADE--Hohhot, July 3 (XINHUA)--China and Mongolia today signed contracts on trade after the second rounds of consultations on their border trade from June 29 to July 3. According to the contracts the two countries will provide each other with light and textile products. [Text] [Beijing XINHUA in English 0809 GMT 3 Jul 86 OW]

BEIJING JAN-JUN EXPORTS--Beijing, July 6 (XINHUA)--Beijing exported 334 million U.S. dollars in the January-June period, a new semi-annual record, today's Beijing daily reported. The figure in the first half of this year was nearly 40 percent increase over the same period of 1985, it said. Last year the city's total export value was 620 million dollars, and the target for this year was 700 million, Yu Xiaosong, director of the Municipal Foreign Economic and Trade Commission, told XINHUA earlier this year. Meanwhile, Beijing concluded export deals worth 520 million dollars in the first half of this year, a 65 percent rise from the same 1985 period, the paper said. The main exports included textiles, foodstuffs and edible oil, arts and crafts, machines, automobiles, minerals, and products of light, chemical and electronic industries. The paper attributed the success to the improved management of the capital's foreign trade companies. [Text] [Beijing XINHUA in English 0124 GMT 6 Jul 86 OW]

FOREIGN INVESTMENT IN GUANGDONG--Guangzhou, July 3 (XINHUA)--Southern China's Guangdong Province signed 3,747 contracts with foreign businessmen involving the use of 716 million U.S. dollars in foreign funds in the first five months of this year. Besides, the province utilized some 250 million yuan U.S. dollars in the first five months of this year, an increase of 9.7 percent over the same period of 1985, said an official of the Provincial Foreign Economic and Commercial Committee. Altogether, the province has utilized over 2.9 billion yuan U.S. dollars in foreign funds since 1979 when the country implemented the policy of opening to the outside world. This year, foreign capital has been attracted to the energy industry, transport, communications, and upgrading of existing enterprises, the official said. Meanwhile, out of 184 contracts signed this year on joint ventures and cooperative businesses, 87 percent were concentrated on manufacturing. [Text] [Beijing XINHUA in English 1741 GMT 03 Jul 86 OW]

SHANGHAI JAN-JUN FOREIGN TRADE--Shanghai, July 7 (XINHUA)--Shanghai exported goods valued at 1.69 billion U.S. dollars in the first six months of this year, an increase of 8.86 percent over the same period last year. A municipal trade official attributed the result to adopting more liberal policies to encourage enterprises to produce export-oriented products. The Shanghai foreign trade departments have spent more than 100 million U.S. dollars to import badly-needed raw materials and energy resources for industrial enterprises. While going down to the grass-roots units to organize and purchase export-oriented products, the departments have positively exported goods abroad, to Latin America and Africa in particular. [Text] [Beijing XINHUA in English 0539 GMT 7 Jul 86 OW]

SHANXI TO DEVELOP AUSTRIAN TRADE RELATIONS--Vienna, 19 Jun (XINHUA)--An economic delegation of Shanxi Province of China signed 27 bilateral letters of intent with Austria on trade, investment and technological cooperation during its 10-day visit. The 20-member delegation, headed by Zhang Boxing paid the visit at the invitation of the Donaueuropean Institute of Vienna, an organization for international economic relations. During the visit, which lasted from 9 to 18 June, Austrian Federal Vice-Chancellor and Minister of Industry and Commerce Norbert Steger met the delegation. They exchanged views on such issues as further development of Shanxi-Austrian trade relations. The 27 papers of intent signed at the investment talks organized by the Donaueuropean Institute of Vienna include a variety of forms such as joint venture, compensation trade and technological cooperation. [Text] [Beijing XINHUA in English 1116 GMT 20 Jun 86] /9604

PRC-U.S. VENTURE INAUGURATION--Beijing, 12 Jun (XINHUA)--The BC Development Co. Ltd., a joint venture between the China International Trust and Investment Corporation (CITIC) and Beatrice China Ltd. of the United States, was inaugurated here today. The new company will engage in developing projects to produce and market foodstuffs and light industrial goods. The company, which will be operated jointly for 30 years, may make sole investment or joint investment with other Chinese or foreign companies in projects in China. Among those present at the inauguration ceremony today were Rong Yiren, vice-chairman of China's National People's Congress Standing Committee and chairman of CITIC, and Yang Bo, Chinese minister of light industry. Rong met Donald P. Kelly, chairman of Beatrice Companies Inc., and his party before the ceremony. [Text] [Beijing XINHUA in English 1417 GMT 12 Jun 86] /9604

IMPORT-EXPORT CONTRACT WITH PHILIPPINES--China and the Philippines concluded a new import-export contract worth $47 million 2 weeks ago. In the projected transaction, China will import from the Philippines $40 million worth of goods, while its exports to the Philippines will amount to $7 million. This was announced by Lingyun, head of the Chinese delegation, at Manila International Airport before departing for China. [Text] [Beijing International Service in Tagalog 1130 GMT 25 Jun 86 HK]

/9716
CSO: 4006/1165

SHENZHEN TO SET UP CHECK-CLEARING FACILITY FOR FOREIGN BANKS

HK270424 Hong Kong SOUTH CHINA MORNING POST in English 27 Jun 86 BUSINESS POST p 1

[Article by Paul Sham]

[Text] Shenzhen is to set up a cheque-clearing facility soon for foreign banks' branches in the special economic zone, according to Mr Han Longlian, a sub-commissioner of Shenzhen branch of the People's Bank of China.

It will be the first of its kind in China dealing with cheques denominated in foreign currencies. Shenzhen set up a clearing house early last year to handle cheques drawn on local-currency accounts.

Mr Han said preparatory work had begun and it was hoped the facility would be available within 2 months. First the authorities must decide which currencies to cater for, and where and when clearing will occur.

Cheque clearance among foreign banks in Shenzhen is presently done on a one-on-one basis, with banks settling their cheques individually.

Mr Han said the new clearing house would function like the one handling cheques denominated in yuan, and would be supervised and situated inside the Bank of China.

The clearing operations will eventually be computerized, he said.

Foreign bank sources said the new facility would make cheque-clearing easier and boost their deposit-taking operations—presently described as insignificant.

"The present process is too troublesome and costly," said a representative of a Japanese bank, adding that this was one of the reasons his bank concentrated mostly on project finance.

Shenzhen has 11 foreign bank branches and 22 representative offices.

Meanwhile, bank sources said Guangdong Postal and Telecommunication Bureau has been examining ways to link the computers of foreign bank branches in Shenzhen with their offices in Hong Kong.

Options include individual transmission lines for each bank or adoption of time-sharing, which would enable them to use a single line.

The banks are understood to have responded that the link might not be necessary, in financial terms, because the volume of deposit-taking in the zone is so small.

"The need for updating our balance of accounts is not that urgent," said a source. Installation of a transmission line would cost about $100,000.

/9604
CSO: 4020/370

POPULATION

URBAN POPULATION REACHES 20 PERCENT

HK280310 Beijing CHINA DAILY in English 28 Jun 86 p 1

[Text] About 20 percent of China's 1.046 billion people now live in cities. Figures based on counts at the end of 1985 showed that some 211.87 million people inhabit the country's 324 cities, not including those living in suburban counties.

The figures released by the Ministry of Public Security yesterday show that the four cities with the largest urban populations are Shanghai, Beijing, Tianjin and Shenyang in Liaoning Province.

If people working in agriculture within cities are excluded, the country's urban population totals 118.26 million.

Chongqing in Sichuan Province became China's largest city with the annexation of 11 counties, but it has an urban population of just 3 million. Hunan province has the most cities of any province at 20, while in contrast, Tibet has only one city with an urban population of 110,000.

The urban population of the four special economic zones, where the Central Government has allowed more flexibility in foreign investment and trade than other cities, are Shantou 489,000, Xiamen 344,000, Shenzhen 190,000, and Zhuhai 90,000.

The provinces with the largest urban populations are Shandong, Liaoning and Sichuan. (For details see adjoining chart. No figures are available for Taiwan province).

China's urban population
(based on 1985 figures)

Region	Cities	Families (million)	Total Population (million)
National total	324	53.51	211.87
Beijing	1	1.68	5.86
Tianjin	1	1.52	5.38
Hebei	12	1.97	7.35
Shanxi	10	1.51	6.38
Inner Mongolia	16	1.30	5.35
Liaoning	17	4.57	16.82
Jilin	12	1.86	7.27

Heilongjiang	16	2.72	10.62
Shanghai	1	1.97	6.98
Jiangsu	13	2.84	9.66
Zhejiang	11	2.02	6.93
Anhui	15	1.64	6.47
Fujian	10	1.02	4.30
Jiangxi	12	1.28	5.75
Shandong	19	4.66	18.48
Henan	18	2.12	8.82
Hubei	14	2.82	11.64
Hunan	20	2.10	8.39
Guanmgdong	17	2.84	11.90
Guangxi	11	1.17	5.35
Sichuan	19	3.83	15.18
Guizhou	6	1.06	4.88
Yunnan	11	1.17	5.39
Tibet	1	0.01	0.11
Shaanxi	8	1.31	5.40
Gansu	12	1.14	5.24
Qinghai	2	0.15	0.66
Ningxia	4	0.25	1.13
Xinjiang	15	0.98	4.18

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CSO: 4020/378

POPULATION

ADVANCES IN CONTRACEPTIVE RESEARCH CITED

OW041816 Beijing XINHUA in English 1445 GMT 4 Jul 86

[Text] Beijing, 4 July (XINHUA)--A total of 21 contraceptive research achievements and 48 achievements for promotion of scientific and technological advances were cited by the State Family Commission here today.

Peng Yu, vice-minister of the commission, said the research carried out jointly by the Xuanwu Hospital in Beijing, the Tianjin Family Planning Research Institute and Zhejiang Medical University on the mechanism of bleeding when using intrauterine devices won a state prize.

During the past five years, he said, the State Family Planning Commission undertook the research program of contraceptive methods including medicines and devices and organized over 200 units and 2,000 people to the task. He said that the main object of the program is to help birth control and population quality improvement, provide safe, effective, convenient, and cheap contraceptive medicines both for females and males, and intrauterine devices.

At present, more than 50 million married women in their childbearing years use intrauterine devices whose effect can last for 10 to 20 years. Facing the bleeding phenomenon, research was launched on its mechanism and has now achieved great progress.

Peng Yu said that a series of contraceptive and sterilization medicines designed by China for oral, injection and external uses have all seen good results. The sterilization injection "spermatic blocking-up injection" has been applied in 500,000 cases, and its ten-year effective rate reaches 95.6 percent.

The effective rate of the monthly female oral contraceptive and the two kinds of monthly contraceptive injection all counted over 98 percent.

Once there were many people asking for remedies because of contraception failure, he said. But now, a kind of prostaglandin used for abortion has been invented with the effective rate reaching 95 percent--up to the world standard.

Wang Wei, minister in charge of the State Family Planning Commission, and leaders from related ministries and departments attended the meeting.

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CSO: 4020/378

TRANSPORTATION

BRIEFS

RAILWAY TRANSPORT INCREASES--Beijing, 3 July (XINHUA)--Chinese railways transported 650 million tons of freight between January and June this year, up 3.9 percent over the same period last year, the Ministry of Railways reported today. Although the number of passengers on short-distance rail dropped in the first six months of this year due to the lifting of short-distance railway transport fees, the number of long-distance rail passengers still went up. The passenger turnover in the first half of this year was up 1.4 percent over the same period last year. To improve service and overcome a chronic shortage of capacity on the railroads, the ministry of railways has been empowered to introduce a contract system for day-to-day management of railway lines, engine and coach-building, and other operations. Individual rail bureaus and departments have signed five-year contracts with the ministry and are responsible for their own profits and losses, thus boosting the transportation capacity. [Text] [Beijing XINHUA in English 1432 GMT 3 Jul 86 OW] /12913

DRAGONAIR OPENS CHARTER ROUTE--Hangzhou, 26 June (XINHUA)--Dragon Airlines Limited (Dragonair) of Hong Kong today flew the first of its regular charter services to Hangzhou. Hangzhou, capital of eastern China's Zhejiang Province, is a renowned tourist destination. On board the maiden charter flight was Dragonair's chairman, Sir Yue-Kong Pao, and 114 people from business, tourism, and press circles in Hong Kong. They were welcomed by Xu Qichao, vice-governor of Zhejiang. The regular flight schedule is not yet available, according to officials at the Hangzhou Airport. This is the third mainland destination for Dragonair's charter services. The other two are to Xiamen and Guangzhou. A Boeing 737 jet airliner will be used to fly between Hong Kong and Hangzhou. Visitors can stay in Hangzhou, Ningbo and Putuo Mountain for six to eight days before being taken back to Hong Kong. It is learnt that Dragonair, the second Hong Kong based airline, launched in May 1985, has been flying regular charters to Malaysia and Thailand, mainly for holiday makers. [Text] [Beijing XINHUA in English 1414 GMT 26 Jun 86 OW] /12913

TIANJIN'S FIRST BELTWAY--Tianjin, 1 July (XINHUA)--The first ring road was opened to traffic this morning in Tianjin, a major industrial city in north China. A city traffic official said the ring road, which allows motor vehicles to travel at a speed of 60 kilometers per hour, will greatly help ease traffic congestion in the city. The 34.5 kilometer road is 50 meters wide with eight overpasses. The Municipal authorities had removed 386 factories and 3,800 households along the road, the official said. The city also widened 14 streets over the past five years. [Text] [Beijing XINHUA in English 1217 GMT 1 Jul 86 OW] /12913

CSO: 4020/375

BOFT CHIEF STRESSES IMPORTANCE OF FREE TRADE

OW010255 Taipei CNA in English 0237 GMT 1 Jul 86

[Text] Taipei, 30 June (CNA)--Because of its ever increasing trade surplus, the Republic of China is now facing a great inflationary pressure and protests from other ocuntries, Director General Vincent C. Siew of the Board of Foreign Trade [BOFT] said Monday.

In a written report read by BOFT Deputy Director Augustine Wu to a joint forum attended by members of the KMT Central Committee and Central Advisory Committee, Siew pointed out that one of the major reasons the United States has incessantly asked this nation to lower its tariffs and change its trade policy is the nation's huge trade surplus with the U.S.

Siew, who is now in the U.S. for trade talks, said in his report that the nation's exports to the U.S. center on labor intensive and low value-added products, such as textiles, footwear, and consumer electronics. He said, however, that he believes the nation will be able to compete effectively in the world market if it can continue to carry out its policy of economic liberalization and internationalization.

In order to cope with a new foreign trade situation, Siew said BOFT has decided:

--To streamline the nation's foreign trade system in order to create a better environment for trading with other countries;

--To establish a sound legal system to maintain good trading order;

--To work out an overall project to accelerate the diversification of the nation's overseas markets;

--To encourage domestic businessmen to be more active in taking part in international trade activities; and

--To train more international trade specialists to upgrade the quality of marketing in the world market.

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CSO: 4020/380

TAIWAN

BRIEFS

TAIWAN-U.S. TRADE CONFERENCE--Taipei, 30 June (CNA)--The 1986 ROC-USA Trade Consultative Conference is scheduled to open 4 August in Washington, D.C., the Board of Foreign Trade said Monday. Vincent Siew, BOFT director general, will head the ROC delegation to the annual meeting. Other members will include representatives from the Finance and Economics Ministries and the Council of Agriculture, BOFT said. During the meeting, BOFT said, the U.S. side is expected to ask the nation to set a timetable for lowering customs tariffs on 71 categories of American industrial and agricultural products, such as refrigerators, air conditioners, and oranges. The U.S. may also ask for opening of the nation's banking, insurance, leasing, shipping, and movie industries to American businessmen, BOFT said. The ROC agreed to lower customs tariffs on 192 categories of U.S. products and open the market to U.S. cigarettes and alcoholic beverages in the last consultative conference held last October in D.C., BOFT said. Vice Economics Minister Wang Chien-shien was chief ROC delegate to the meeting. [Text] [Taipei CNA in English 0331 GMT 1 Jul 86 OW] /12913

VIDEO RECORDER MARKET TO OPEN--Taipei, 30 June (CNA)--Beginning Tuesday, foreign video tape recorders will be on the market here. On the eve of the free imports of VTR's, however, many domestic VTR dealers and people who are interested in the foreign products have complained that they will not be able to buy cheaper VTR's as the government has decided to impose excessively heavy customs tariffs on imported VTR's. An official with the Industrial Development Bureau, in response to these complaints, said Monday that he expects the prices of the imported VTR's here will be reduced gradually although the foreign products will still be expensive in the initial stage of the imports. The official, who preferred not to be named, said that the Government decided, when it prohibited imports of VTR's three years ago, that it would eventually liberalize imports in consideration of the "total interests of the nation as a whole." He said that upgrading the competitiveness of domestic VTR makers, liberalizing the nation's economy, protecting consumers interests and meeting the nation's industrial development policies have been the main factors when the Government has considered the VTR imports. He said that the Government has promised that, if necessary, the current tariff rate for VTR's will be reviewed at any time, and therefore, he added, the prices of foreign VTR's are very likely to fall in the future. [Text] [Taipei CNA in English 0232 GMT 1 Jul 86 OW] /12913

CSO: 4020/380

INCREASED REEXPORTS TO PRC ANTICIPATED

HK080331 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD) in English 8 Jul 86 p 4

[Text] Hong Kong will become increasingly important as an entrepot to re-export goods from China to overseas, according to the Trade Development Council's [TDC] deputy executive director, Mr Francis Lo.

Last year, 58.7 percent of the imports from China were re-exported from Hong Kong to other countries, especially the United States which took up 32.5 percent. Textile products, formed 38.6 percent of re-exports that originated in China, which were followed by light manufactures at 21.3 percent.

Speaking at a press conference to announce the staging of the "Made in Hong Kong '86"--Hong Kong product exhibition in Beijing, Mr Lo pointed out that the portion taken up by re-exports out of China imports will increase as China increases its sales overseas. In fact, of the 29 percent increase in imports from China recorded in the first four months of this year, an increasing amount of it was being re-exported, he added.

Mr Lo also said that the TDC regards machinery as a major export item which Hong Kong can sell to China.

In the first four months of this year, Hong Kong exports of machinery and equipment to China increased by 22 percent over the same period last year. "This trend will continue," according to the chairman of TDC's China Advisory Committee, Mr Wong Po-yan. He pointed out that the forex curb in China is selective and hard currency would be provided for machinery and parts which are to boost China exports.

Of the applicants for the "Made in Hong Kong" exhibition, exporters of machinery and parts have been most enthusiastic, Mr Wong said.

The exhibition will be held at the China International Exhibition Centre in Beijing from 3 to 9 December and will hold more than 100 booths. Along with the product exhibition, seminars will also be held to promote contacts and understanding between manufacturers, importers, and exporters of Hong Kong and China.

Besides promoting Hong Kong exports to China, the exhibition aims at arousing the awareness of officials of trading units in the Northern provinces to trade opportunities with Hong Kong, Mr Wong added. He said that while Hong Kong products are quite widely recognised in the Southern province, the Northern provinces of China still hold a less positive image towards the products of Hong Kong.

"The exhibition does not confine itself to achieving the greatest number of orders placed during the event, but it seeks to establish long-term ties as well," Mr Wong emphasized. On the other hand, the exhibition will also provide assistance to Hong Kong importers who seek to buy goods from China, he said.

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CSO: 4020/381

BUSINESSMEN ON TRADE PROSPECTS WITH PRC

OW081114 Beijing XINHUA in English 1052 GMT 8 Jul 86

[Text] Hong Kong, 8 July (XINHUA)--China's Seventh 5-Year Plan has provided more trade opportunities for Hong Kong's manufacturers and traders. This is the general view expressed in recent interviews with XINHUA by executives of our major Hong Kong-based firms.

Although China has now cut back its import for shortage of foreign exchange, they told XINHUA, there are still big prospects for trade with the Chinese mainland.

The Hong Kong and Shanghai Banking Corporation, a British-owned firm, has three branches (Shanghai, Shenzhen, and Xiamen) and three representative offices (Beijing, Guangzhou, and Wuhan) in the Chinese mainland, and one more representative office will open in Tianjin soon.

A.J.N. Russel, managing director of the Corporation's China Services Company, said the bank had also established China desks in New York, London and Singapore to develop China business. The bank will have a very busy program in China next year, he added.

Martin G. Barrow, managing director of Jardine, Mateson and Co., Ltd., another British firm, envisaged that China would need more software and service for its computers. In this field, he said, Jardine Logic, a joint venture between Jardine and a British company, can play a big role.

The Swire group, also a British-owned firm, will concentrate its China business on technological cooperation and help China export more goods and earn more foreign exchange.

Howard Young, Swire's newly-appointed chief representative in the Chinese mainland, said garments and toys would be the two major categories of goods Swire will buy for sale overseas.

Hutchison, a firm owned mainly by local capital, also has a 5-Year Plan for China trade, which lays emphasis on investing in energy development and helping China export more foodstuff and goods of daily use. He noted that construction of a modern container harbor is now under discussion between Hutchison and China's relevant departments.

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CSO: 4020/381

HONG KONG

TEXTILE TALKS WITH EEC 'SLOW', 'COMPLICATED'

HK110226 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD) in English 11 Jul 86 p 1

[By Cynthia Suen]

[Text] Hong Kong's first formal round of bilateral textile talks with the European community ended in Brussels on Wednesday with some disagreements over changes in product coverage proposed by the EEC. A second round--scheduled to last three days--is to resume on 17 July.

Secretary for Trade and Industry, Eric Ho, as well as most members of the Textiles Advisory Board (Textab) will fly to Brussels to join forces with the Hong Kong negotiation team, which is led by Director of Trade, Hamish Macleod.

Mr Macleod said there was a preliminary discussion of possible modest improvements in the agreement, but the talks were slow and complicated by EEC proposals to alter the product coverage of a number of categories--mainly in order to anticipate the introduction of the harmonised system, a new standard classification system which has been planned to take effect in 1988.

Hong Kong has made clear that the proposals did not meet reasonable expectation, but has agreed to work together with the EEC delegation at the technical level between rounds to achieve a common basis of calculation for the proposed category changes.

Mr Macleod pointed out that Textab's presence during the second round would aid in consultations and provide advice on the spot, particularly concerning the recategorisation proposals.

The EEC issued a negotiation mandate in March which provides for a 0-1 percent annual growth for 8 sensitive categories exported by the so-called dominant suppliers--Hong Kong, Macao, South Korea, and Taiwan. Most other suppliers are allowed an annual increase of 4-6 percent.

Meanwhile, the 1986 textile quota transfer rule was attacked yesterday by the Federation of Hong Kong Industries.

"The lowering of the penalty benchmark from 50 percent transfer-out over two years to 35 percent in one year has severely reduced quota supplies, pushing up prices," a Federation spokesman said.

According to a survey conducted by the federation in March, 108 manufacturers, or 47 percent of the 252 surveyed, said they had changed their transfer policy. Of these 108, 65 percent were transferring out less quotas and 24 percent had ceased to transfer out quotas totally.

The deadline for submission of shipment returns from exporters for quotas and entitlement allocation for garments of silk blend and vegetable fibre has been extended from 12 to 16 July the Trade Department announced yesterday.

A department spokesman pointed out that in accordance with the principles of quota allocation for new restraints, the 1986 and 1987 quota entitlement allocation for garments of silk blend and other vegetable fibre, subject to specific limit or export authorisation, would be calculated on the basis of shipments made during the reference period from 21 February 1985 to 20 February 1986.

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END

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China Report

ECONOMIC AFFAIRS

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ECONOMIC JOURNAL ON IMPORTANCE OF PRICE

HK041115 Beijing JINGJI YANJIU in Chinese No 5, 20 May 86 pp 25-35

[Article written by Yu Guangyuan [0060 0342 6678] in March 1986: "Put Price Ahead of Value"]

[Text]

I

Over the past several years, I have discerned in the views of some economists and young economic workers of China a kind of ideology which deviates from the labor theory of value that was put forth by classical bourgeois economists and perfected by Marx. It is not strange that ideology has gained ground, because Western economics has been fashionable in China over the past several years. In tapping from Western economics something useful to China's socialist modernization, we have also inevitably borrowed its theoretical basis. Concurrently, as everyone knows, Marx's law of value is now receiving unprecedentedly great attention in China; not only is this law frequently mentioned in documents and articles, but its popularity has extended to the vast numbers of cadres and even the operators of some private enterprises, who frequently mention it in daily conversations. From the viewpoint of the history of economic thought, it is an interesting fact that these two phenomena coexist and develop simultaneously in China. Pondering over this fact will lead us back to some basic questions concerning the labor theory of value. Many people, including some people who shoulder various responsibilities in guiding economic work, apparently do not really understand such elementary questions as "what is value and the law of value" and "why is Marx's law of value a scientific truth?" Although at some stage they did learn some Marxist political economics, they did not think seriously in their studies and they have not waged ideological battles against those viewpoints which contradict the "labor theory of value"; consequently, they do not deeply understand it and to them the law of value is a commonly used term without a clear meaning. I think this causes the coexistence and simultaneous development of the two phenomena mentioned above.

The "labor theory of value" is the theoretical basis for studying socialist economic problems. I think today it is still necessary to write articles on this theory and argue against those viewpoints which conflict with the labor theory of value. In the past there was no such contention in China academic circles because it was thought there was no question about people's acceptance of the labor theory of value. Past discussions about value were all based on this acceptance. Now that there exist some viewpoints deviating from the labor theory of value, we should have a basic discussion of whether the labor theory of value is a scientific truth. This discussion should be unemotional and based on adequate reasoning. It is indispensable for convincing those influenced by Western economic thought and tempering those taking Marxist economics as their stand. People should be allowed to clearly express their different views, and subsequent discussions should be based on facts and logic and not citations. These discussions will help popularize Marxist economics in China, now that some arguments which completely or partially conflict with the labor theory of value have appeared. I think both articles positively expounding the labor theory of value and those contending against viewpoints conflicting with that theory should be written.

Moreover, I do not think questions related to the law of value, particularly those related to the role of the law of value in socialism, have been thoroughly discussed in China. Over many years in the past, discussions on those questions basically amounted to the expression of individual views without much contention. In particular, people rarely tried to resolve conflicts between different views and reach acceptable conclusions in a rigorous, scientific way. Therefore, we should continue study and discuss those questions. Discussions must not be conducted for their own sake; they should aim to bring about advances in knowledge and to yield generally accepted conclusions based on augmented knowledge. Of course, further contention will arise at a more advanced level.

I have discussed paying attention to discussing questions related to value. However, this is not the main point of this article. Here I want to raise a question concerning the methodology for studying socialist economic problems: "put price ahead of value." This idea proceeds mainly from China's reality, and not from theory. I think it is naturally desirable to thoroughly discuss the question of value before studying theories concerning socialist economic problems; however, over the past three decades, Marxist economists at home and abroad have published innumerable articles on this question. Thus, too much time and effort have been spent on this question, which is actually not very difficult. I think people will not be very enthusiastic if we stick to the old method of discussion. Therefore, although I think thoroughly discussing the question of value is very important and I suggest people should continue to write articles about that question, I do not advocate paying too much attention nowadays to studying it. Instead, I advocate relegating the question of value to a subordinate position. I suggest that instead of regarding the discussion of that question as a prerequisite to studying socialist economic problems, we should primarily pay attention to using price as a cognitive tool. Two reasons other than the one mentioned above are given below:

First, in resolving many socialist economic problems, using price as a cognitive tool before thoroughly discussing the question of value can yield bountiful results in the absence of major obstacles even though this is not theoretically thorough. I even think that in studying problems this procedure brings more good than evil compared with the practice of mechanically foisting value on real life, a phenomenon which does exist in China today.

Second, although the suggestion of "putting price ahead of value" arises from consideration of reality, it is similar to Marx's idea of discussing "exchange value" before discussing "the value of a commodity," as explained in Chapter 1 of Volume 1 of DAS KAPITAL. Marx said: "We actually proceed from the exchange value or exchange relation of a commodity before discovering the commodity value hidden in it." (footnote 1) (DAS KAPITAL, Vol 1, the Renmin Publishing House 1975 edition, p 61) Of course, Marx's "journey" from exchange value to value in Chapter 1 of DAS KAPITAL is very short. In that book, the discussion of "value form or exchange value" strictly follows the establishment of the thesis: "a commodity's exchange value reflects its inherent and intrinsic value." However, I think that in study socialist economic problems, we can consider increasing the "distance" between the study of exchange value and the study of value; using price as a cognitive tool, we can study the work mechanism of the socialist economy, and then make generalizations on this basis. This can enable our knowledge of the role of the law of value in socialism to be enriched by specific facts. This will be a departure from past discussions which have been highly abstract.

We have no experience in using this method, but I think there is no harm in trying it.

II

I have said that we must use "price as a cognitive tool" to study problems of the workings of the socialist economy. What is the meaning of this expression? What kind of cognitive tool is price?

Every concept is a cognitive tool, or a tool of logical thinking. Concepts of all kinds are necessary to knowing the world. However, different concepts work differently as cognitive tools. Moreover, there can be differences in principle between concepts as cognitive tools. For example, various categories in dialectical materialist philosophy are concepts, which, as cognitive tools, differ in principle from the concepts used in various specific branches of science, like the natural sciences, the social sciences, and the frontier or interdisciplinary sciences; the former are concepts with the highest degree of generality and are therefore generally applicable, but the latter are specific concepts whose scope of applicability is limited. Another example is: I divide concepts in economics as a science into two types: theoretical concepts and statistical ones. By theoretical concepts I mean scientific abstractions generalized from the changes and development of objective socioeconomic life or movement. Examples are commodity and value. By statistical concepts I mean those designed for directly representing and explaining the reality of socioeconomic life. For example, "output" is a statistical concept designed for representing the quantity produced in the production of a product. To define the statistical concept "output," we must first artificially stipulate the methods and scope of the relevant statistical work. Without this artificial element, the statistical computation of output is impossible. For example, the statistical computation of the output of steel entails the assumption that all steel included in computation is qualitatively homogeneous, so that only the weight of steel is computed. As cognitive tools, theoretical concepts and statistical ones differ in principle in the following way: statistical concepts directly reflect concrete things in socioeconomic life and are hence not pure things; on the other hand, though theoretical concepts also reflect reality, they reflect the essence of real things and are abstract, and hence they are pure things. Theoretical concepts can be used as cognitive tools for analyzing and aggregating plainly real things. They can isolate the essence of a thing from its nonessential part, thus revealing the essence. Statistical concepts must also be analyzed by using theoretical ones before their meaning can be clarified.

Generally speaking, an economic concept cannot be both a theoretical concept and a statistical one. For example, the concept of value cannot be a statistical one. It does not directly reflect real economic life. In plain reality there is nothing euivalent to value. Value is invisible and intangible. We even cannot precisely know its quantity. We can grasp it only through abstract and logical reasoning. On the other hand, many statistical concepts cannot be theoretical concepts. For example, "the total value of industrial and agricultural output" is an artificially designed thing whose substance is not pure. Its meaning can be clearly understood only if we use concepts of theoretical economics to analyze it. However, price is an exception as to whether a concept can have characteristics of a theoretical concept and also those of a statistical one. Even if it is not the only exception, it is the only one I can now think of. There may be others, but I have not yet thought of them. Price differs from value in that it is directly observable externally and we can precisely tell its actual magnitude. Price belongs to the plain reality of socioeconomic life. Therefore, it can be a statistical concept. We can also further say that price is the basis of a series of statistical concepts. At the same time, the concept of price does not embody artificiality; moreover, being "a condition directly determining the relation of material interests between two parties carrying out exchange through the use of money," price is a scientific abstraction. As a theoretical concept, price is not subject to classification into "product price," "price of labor," "price of labor power," "land price," "price on a certain date," "local price," "wholesale price," "retail price," "F.O.B.," "C.I.F.," and so on, because these are statistical concepts containing an element of artificiality. The concept of price is a scientific abstraction generalized from objective processes of exchange conducted under all kinds of specific conditions. It is not artificially stipulated or designed in any way. It is a theoretical concept. However, it does have the characteristic of reflecting the plain reality.

Here I define price as "a condition that directly determines the relation of material interests between two parties carrying out exchange through the use of money." This differs from another definition: "price is the monetary expression of value." The latter concerns the interrelationship between price and value. It is absolutely correct and is also very important. Without using this definition in viewing questions, we cannot thoroughly solve problems on the theoretical plane. However, sine I now adopt the policy of suspending the discussion of value, or relegating it to a posterior position, I do not want to proceed from this latter definition to discuss problems; instead, I will in the first place use the former definition in studying problems.

What is the relation between price and the material interests of people carrying out exchange?

Consider the example of products. Suppose person one has quantity a of product a, and person two has quantity b of product b. Now suppose through two exchanges using money the exchange of products between person one and person two is accomplished, that is, person one sells his amount of product a for x yuan rmb [renminbi] and then uses this sum of money to buy quantity b of product b. Here x yuan is the price of quantity a of product a and also the price of quantity b of product b. (Thus, the unit prices of products a and b are x divided by a and x divided by b respectively.) The result of these two exchanges is that person one gives up the quantity a of product a originally possessed by him and obtains quantity b of product b; and person two gives up his quantity b of product b and obtains quantity a of product a. Now suppose the unit price of product a falls from x divided by a to y divided by a, where y is less than x. Then person one will have to sell quantity a of product a for a different sum of money, y yuan, which is less than x yuan. If the price of product b remains unchanged and person one must buy quantity b of product b, he has to pay x yuan. However, he can sell his product a for y yuan only. Therefore, he must pay an extra (x minus y yuan); this is the loss on the side of the interests of person one due to the fall in product a's price. At the same time, person two neither incurs a loss nor enjoys a gain in his interests because for him price does not change. Here I consider relations of interests concerning price from the viewpoint of real things. Money can be used in exchange, but it has no use value and can merely represent material things, economic life is material life and economic relations are material relations; I think our understanding can be thorough only if we can discern the material relations behind monetary relations. In the example above, in buying quantity b of product b, person one spends an extra (x minus y yuan), and thus his loss is other real things that could have been purchased with the (x minus y) yuan. This viewpoint is applicable to both the small commodity economy and the capitalist commodity economy. Capitalists go after money because it is the universal equivalent that can be used to buy all kinds of commodities. Here we reduce the question to its simplest form, that is, money is actually a form of exchange value, namely, the universal equivalent, while other real things assume the role of "relative forms of value." "Exchange value primarily appears as a quantitative relation or proportion governing the exchange of one kind of use value for another." Its formula is "quantity a of commodity a equals quantity b of commodity b; here, commodity a assumes a relative form of value, while commodity b assumes the form of an equivalent. In the case of what Marx called the "simple, accidental form of value," the same commodity could either be a relative form of value or conversely be a form of equivalent. Subsequently, after several transitional stages in the historical development of exchange of commodities, the form of money finally appeared; money always assumes the role of a form of equivalent, while all other commodities are always a relative form of value. Monetary gains or losses which in the sale or purchase of commodities are caused by price changes amount to gains or losses in the universal equivalent that can be used to buy all products, and ultimately amount to gains or losses in use value or in various relative forms of value.

I think this concept of price can be used in the analysis and study of many socialist economic problems. I said in the past that under socialism money has three important functions. First, used as socialist funds, money makes possible the organization of socialist production and other economic activities. Under socialism the integration of workers and the means of production can be achieved only through organization, though it is no longer hindered by private ownership. Money is an indispensable tool in organizing this integration. Second, used as socialist funds, money helps manage and supervise socialist production and other economic activities so that they comply with the requirements of socialist production. Third, used as socialist funds or other categories of foods, money plays a role in the distribution of social wealth. With the distribution and redistribution of money, the amount of social wealth that can be purchased with money depends on the share, represented by money, that is obtained by each of the persons concerned. Price plays an important role in these functions of money. In this article, I attempt to suspend the discussion of the question of value, use the concept of price to directly analyze some problems of the working of the socialist economy, and then return to the question of the law of value in socialism. I wish to see whether this method of analysis works. I hope my discussion will be as concrete as possible, and not overly abstract. I will now discuss the role of price in connection with the three aspects mentioned above.

III Section 1

First, let us use the concept of price to analyze some problems concerning money's function in the organization of socialist production and other economic activities. To make our discussion more specific, let us ignore for the time being other economic activities and the production of services and only examine the production of material products. The production of material products involves the combination of two factors: workers and the means of production. The means of production can be classified into: (1) natural resources to which human labor has not been added, and (2) those means of production which are material products and to which human labor has been added. Production can take place only if these factors are combined. Under private ownership, this combining of factors is subject to a restriction: it cannot happen without the consent of the private owners of the means of production. Under socialism, with the disappearance of private ownership of the means of production, this restriction no longer exists. However, natural resources and those means of production to which labor has been added still belong to some owners; they may be owned by the state or the collective. Without the consent of the state or collective, the combination of workers with the means of production is still impossible. Moreover, socialist production is organized production; production necessitates organizers or organizing bodies. Furthermore, the socialist economy is still a commodity economy; therefore, even if in society the factors of production are readily available, they cannot be combined without using money as an input. Not only must those means of production to which labor has been added be purchased as commodities with money, but the natural resources to which labor has not been added, like unused land, in general must not be taken for one's use gratuitously. As to workers, whether their labor power is a commodity or not, they must invariably consume the means of livelihood, which must be bought with money, in order to live and to continuously regenerate their labor power. The necessary amount of money must be given them as a reward so that they are willing to contribute their effort in production. Therefore, without money, socialist production could not be organized; the readily available natural resources would only lie dormant, workers would only remain idle, and some of the means of production to which labor has been added would only be stored or stacked. To sum up, without a certain quantity of money used as an input, various production factors could not be combined for production even if they are readily available. This is how money functions as an organizing tool in socialist production.

How then does price function in this context?

Let us first study the situation where an enterprise is in the stage of being established. Before production starts, every enterprise must invariably go through this stage, when there is "use of inputs" without any "output." "Inputs" form the fixed assets necessary for production, like factory buildings, machinery, equipment, and so on. Through "the use of inputs," the requisite staffers are gathered to provide labor for construction and to form the necessary administrative groups, and various necessary jobs are done in preparation for starting production. In this stage, aside from paying staffers money in reward for their work, the enterprise must use the largest proportion of the necessary amount of money to buy various categories of means of production and services, which have their own prices. Thus, these prices matter much to an enterprise under construction. Here two problems are involved: First, if the prices of various categories of means of production and services are too high, the available quantity of money will be inadequate, so that the planned work of organization of production cannot continue; and second, if the prices of the means of production and services are high, then even if construction funds are adequate, production costs will be higher after production starts because interest must be paid on the money capital invested and the fixed assets formed will involve larger depreciation allowances. To sum up, the larger the money capital used as an input, the higher will future production costs be. This is naturally disadvantageous to an enterprise. In accordance with its own stand, an enterprise under construction naturally hopes that the prices of the means of production and services it needs will be as low as possible.

Let us further examine the situation of a completely built enterprise. Now the purchases of the means of production for building up fixed assets will be greatly reduced, and this kind of expenditure is necessary only for major repairs the renewal of part of its equipment, and so on. Here we exclude from our calculation any expansion in scale or large-scale renewal of equipment, because these activities can be regarded as similar to the building of a new enterprise and are outside our consideration. However, an enterprise must regularly and indispensably purchase certain categories of means of production which are necessary to the production of products, like materials, raw materials, fuels, motive power, and so on. (Some enterprises must also buy components and spare parts from other enterprises.) The money spent on these things continues to occupy an important place in the expenditure of a completed and operating enterprises; generally speaking, it takes the largest share (except for enterprises in the excavating industries); and it is part of the circulating funds. Therefore, the prices of these categories of means of production are of greatest importance to an enterprise's interests. Without the requisite circulating funds, an enterprise cannot carry out production normally even if it possesses the completed fixed assets and the requisite production capability. Therefore, money plays an organizing role in socialism both before and after an enterprise starts production.

In connection with money's function in the organization of socialist production. Therefore, the prices of these products also play an important role in the organization of production. The higher their prices, the larger the amount of money available to the enterprise for organizing socialist production.

Here we have given a qualitative discussion. In actual work, we must make a quantitative study before we can solve practical problems.

Section 2

When the organization of socialist production is complete and there is no problem with the normal operation of the enterprise, the enterprise will primarily care about the enhancement of its economic interests. Then the question of price will transcend the scope of the organization of socialist production. Wherein lies the enterprise's interests? To a capitalist enterprise, its interests coincide with the capitalist's interests, as reflected in the amount of profit, the worker's income is outside the scope of the enterprise's interests. According to the stand of the capitalist enterprise, the lower the total wages, and also the lower the wages of each worker, the better. With a given net income, the lower the wages paid by the capitalist to the workers, the lower will be the cost to the capitalist and the larger will be the profit. A socialist enterprise must differ from a capitalist one. To the socialist enterprise, the concept of cost is also relevent; it is the money spent by the enterprise in production. Of course, production cost includes the consumption of material products in production. The lower this consumption, the better, just as in the case of capitalist enterprise. With prices attached to these material products, lower prices are more beneficial to the enterprise engaged in production. However, concerning workers' wages as another part of production cost and as an outgoing item, the socialist production enterprise must adopt an attitude different from that of the capitalist one. Workers' wages are something expended by the enterprise and should be included in "production cost"; however, the socialist enterprise must not subscribe to the viewpoint that this expenditure should ideally be as low as possible. The raising of each worker's wages should precisely be its major concern. Therefore, under the condition that the quantity and quality of the socialist enterprise's product remain unchanged (though for the sake of enhancing its economic interests it should vigorously increase the quantity of products commensurate with increased market demand and improve product quality) and the number of workers remain unchanged (though for the sake of enhancing its economic interests it should, in line with the interest of socialism, vigorously raise labor productivity and strive to dispense with redundant workers under the condition that the quantity and quality of its product remain unchanged, with society simultaneously trying to open up many new occupations to absorb the redundant workers who can then create new wealth at their new jobs), an important way for the socialist enterprise to enhance its economic interests is to strive for the lowest possible prices for the means of production it purchases and to secure the highest possible selling price for its product.

If the product of the enterprise concerned is some means of production, then all products bought and sold belong to the means of production. Any changes in economic interests caused by changes in the prices of the means of production under consideration will not directly affect consumers' interests; here, the prices of consumer goods are not directly involved. However, when changes in the prices of the means of production affect the economic interests of those enterprises which produce consumer goods, consumers' interests will be indirectly affected. If the production costs of consumer goods rise owing to rises in the prices of the means of production, the enterprises producing consumer goods will more strongly desire to raise the prices of their products. Because the means of production are something that all enterprises must consider, the indirect effects of changes in their prices can be said to be pervasive. Even changes in the prices of those categories of means of production which are not necessary to the production of consumer goods will invariably affect the prices of those categories of means of production which are needed for the production of consumer goods, and also those enterprises producing consumer goods.

Now we can further discuss how the economic interests of various parties concerned are hinged on the prices of the means of production.

Let us first disucss what is affected by the general level of prices of the means of production. If in society this level is high, then it will be more difficult for enterprises producing consumer goods to be relatively well off in economic interests. This will increase the compensation for material consumption in the cost to enterprises of producing consumer goods.

If the price of consumer goods cannot be raised, the economic interests of the enterprises producing them will be adversely affected, and vice versa. The ratio between the general price levels for the means of production and consumer goods greatly affect the relations of economic interests between the two corresponding types of enterprises. This is an important question that we should pay attention to in studying socialist economic life.

The question of the individual price levels for various categories and varieties of means of production is even more important. The price of a given category or variety of means of production directly affects both the enterprises producing it and the enterprises using it. Some categories of means of production, like fuels, electric power, and so on, are used by virtually all enterprises; their prices have extremely widespread effects, directly affecting enterprises producing consumer goods and indirectly affecting the prices of consumer goods.

We can now discuss the prices of daily consumer goods, which directly affect two parties: First, consumers, or residents in socialist society; and second, those enterprises engaged in the production or circulation of consumer goods.

We can examine the direct effects of the prices of consumer goods at two levels: the general price level for consumer goods, and the individual prices of various categories of consumer goods.

Let us first discuss the general price level for daily consumer goods.

We know the concept of the total amount of daily life consumption funds in money form expended by the entire society in a given time interval. This is also the total amount of money spent by all residents in society on consumer goods in that time interval. In money form, this total amount of consumption funds is not identical to the residents' total monetary income, though the latter is the source of the former. The difference arises from the fact that residents usually save part of their monetary income, so that the total amount of consumption funds falls short of the residents' total income earned in the same time interval. Of course, instead of saving part of their monetary income, the residents can conversely withdraw part of their past money savings to buy daily consumption goods, so that within the time interval in question the total amount of consumption funds exceeds the residents' total monetary income.

We also know the concept of the total real quantity of the means of livelihood consumed by all residents in a given time interval. There are innumerable varieties of consumer goods, and the quantities of different varieties of consumer goods cannot be added to give a total figure. Theoretically, this total quantity cannot be represented by a single figure; however, we can still have the concept of the total real quantity of consumer goods, and we can even state its magnitude.

Aside from these two concepts, we can also have the concept of the general level of prices of consumer goods. We know that each of the numerous varieties of products has its own price; for example, each piece of a product sells for so many yuan RMB. The concept of the general level of prices of consumer goods comes from the pooling of the price levels for all consumer goods. The averaging of numerous prices is not permissible for a theoretical concept; however, conceptually we can have the concept of a general price level.

In mathematical language, the total amount of consumption funds in money form expended in a time interval is a numerical value, which can be expressed in a number of yuan FMB: whereas the total real quantity of consumer goods consumed by residents in this interval and the general level of prices of consumer goods cannot be expressed as a numerical value; they appear as an ordinary table or a matrix.

Having clarified those three concepts, we can apply them, and state that given the total amount of consumption funds in money form expended in a given time interval, the general level of prices of consumer goods determines the total real quantity of consumer goods consumed by the residents (and this quantity indicates the residents' living standard). That is, when the level of prices of consumer goods rises, the total real quantity of consumer goods residents can buy will decrease, and vice versa. This can be true, with the total amount of consumption funds roughly remaining unchanged during a given interval, if the residents' monetary income remains unchanged and the residents neither withdraw money from their savings to buy consumer goods nor save more money.

Using the three concepts mentioned above, we can also say that given the total real quantity of consumer goods purchased by the residents, the general price level determines the total amount of consumption funds in money form. If the residents' total income remains unchanged, when the price level falls, the residents can save more money, and when it rises, they must reduce their money savings, that is, save less than their former increments in savings. The price level may also rise to such a high level that the residents must withdraw money from their past savings to make purchases.

The real situation cannot be one of these two presumed ones, because when the price level changes, both the total amount of consumption funds in money form and the total quantity of consumer goods in real form will surely be affected. Therefore, the situation is rather complicated.

Quite obviously, a rise or fall in the general level of prices of consumer goods will directly affect the residents' living standard, that is, the level of daily consumption in the period under consideration (and also their savings). Moreover, changes in the general level of prices of consumer goods will also directly affect the interests of those departments and units engaged in the production or circulation of consumer goods and the relation of interests between consumers and those operations engaged in the production or circulation of consumer goods.

What has been discussed above concerns the direct effects of the general level of prices of consumer goods. As to the indirect effects, they are very extensive in scope. In the case of the consumers, a change in the total quantity of consumer goods will cause a change in the capacity of the market in consumer goods, affecting their work incentive, the strength of their demand for wage increases, and so on. In the case of those departments and units engaged in the production or circulation of consumer goods, the enterprises' profit level will affect the income of the workers of the enterprises, the accumulation of the enterprises themselves, and the taxes and profits delivered by them to the state, and will also affect those departments or units supplying services, the means of production, or the means of circulation to those operators engaged in the production or circulation of consumer goods. The economy is an organic entity; the level of prices of consumer goods and changes in this level will have effects, direct or indirect, great or small, on the overall socioeconomic life.

Concerning the prices of consumer goods, we must pay attention to the levels of prices of various categories of consumer goods aside from the general level of prices of consumer goods and changes in this level. The prices of various categories of consumer goods embody their relative prices. In principle, the mechanism whereby the levels of prices of various categories of consumer goods and charges in these levels affect the economic interests of various parties concerned is the same as the mechanism we have discussed above whereby the general level of prices of consumer goods and changes in this level exert various effects. However, these are after all two different questions. We must pay attention to examining the differences in effects. For example, changes in the prices of a specified category of consumer goods directly affect only those who do consumer goods. Moreover, the price of "that category" of consumer goods affect only those departments and units engaged in the production or circulation of "that category" of consumer goods, without directly affecting those operators engaged in the production or circulation of other consumer goods.

It should be noted that the effects of the general level of prices of consumer goods amount to an aggregated manifestation of the effects of the prices of individual consumer goods. The actual mechanism of generation of effects must be discovered from the mechanism whereby the prices of individual consumer goods exert their effects. Moreover, if we want to make a detailed and concrete study of socioeconomic life, we must examine the prices of individual consumer goods. We know that owing to differences in residents' income level, occupation, social status, personality, preferences, and so on, there are different consumption patterns among the residents. For example, the relative share of basic and low-level means of livelihood in total consumption is larger for residents earning low incomes than for those earning high incomes. Precisely because the present income of residents in China is generally rather low, the relative share of basic means of livelihood in the total collection of consumer goods is much larger than that of high-grade consumer goods. That is why the prices of those consumer goods in the "housewife's food basket" are of particular concern to the majority of urban residents. (Because rural residents produce for their own consumption a considerable part of the consumer goods in the "housewife's good basket," the rural situation differs from the urban one.) On the other hand, compared with residents earning low incomes, those earning high incomes show less concern for the prices of consumer goods in the "housewife's food basket," and greater concern for the prices of high-grade consumer goods. Therefore, if we only pay attention to the general level of prices of consumer goods at the expanse of the prices of various categories of consumer goods, we cannot relatively fully and satisfactorily explain the relations of economic interests between different groups of consumers.

Here I wish to take the opportunity to propose that we should apply the reasoning above to the working of compiling consumer price indices for China, and that several different consumer price indices should be simultaneously compiled. At present, like the usual practice of various countries in the world, China only compiles a unified consumer price index for all society. The method is that out of tens of thousands of categories of consumer goods, a number of categories are selected for compilation; changes in their prices are recorded and their price indices are calculated; then, the relative importance of various categories of consumer goods in the residents' consumption -- corresponding to the quantities of these consumer goods demanded by the residents -- are estimated to determine various weights; and finally calculations are performed to arrive at the required price index. True, the compilation of the price index is often based on household expenditure surveys conducted among various types of residents; however, if the consumption patterns of residents with different income levels are not differentiated and other price indices corresponding to the circumstances of different groups of residents are not compiled, many questions will remain unexplained. A unified price index is useful and should be compiled; however, other price indices concerning residents with different income levels also have their own uses. Such indices can guard against some averages concealing problems of interest to residents with different income levels. We can see from this question, which is outside the scope of theoretical economics, that theoretical economics can provide guidance over statistical problems and real-world problems.

We have said that the effects (including indirect ones) of the prices of the means of production are pervasive because all production sectors consume the means of production and society is an organic entity. Here we also wish to point out that the effects (including indirect ones) of the prices of the means of livelihood are also pervasive because workers work in all economic sectors and they must consume the means of livelihood everyday. However, there is some difference between these two categories of effects: the effects of prices on that part of production cost corresponding to the consumption of the means of production are rigid, that is, increases in production cost are directly linked to increases in the prices of the means of production; however, the effects of the prices of the means of livelihood are soft. For example, increases in wages as part of production costs are not directly linked to increases in the prices of the means of livelihood (except in the case of countries where the sliding wages method is adopted).

Section 4

Having discussed the organization of socialist production and other economic activities and also the question of the relative economic interests of various parties concerned, we can now easily explain the role of price in the management and supervision of socialist economic activities, because management and supervision here refers to management by using tools, and particularly price, which are used in the organization of production and economic activities and are related to people's concern for economic interests. In our economic-work language, we now have a common term: "price as a lever," or, "price as a tool." We are all familiar with the mechanism of "price as a lever." Its role is simply as follows: when it is used to achieve a given objective by a main body undertaking operation and management, (1) it can either make possible or prevent the organization of some socioeconomic activity, or subject the organization of that activity to certain constraints; and (2) by making certain acts yield gains, considerable losses, or mediocre results in terms of economic interests, it can bring people's acts in line with the goal of the main body that uses price as a tool when people act according to the principle of striving for gains and avoiding losses.

The main bodies undertaking operation and management can be bodies that represent the state's interests or represent enterprises. They can use price as a tool so long as this is within their jurisdiction. It goes without saying that the main bodies using price as a tool include government's goods and materials departments at various levels; their legal status and administrative power empower them to use price as a lever. But even an enterprise can usually have a given amount of decisionmaking power over the setting of the prices of its own products; these prices often serve as its tool for outdoing others in market competition.

Here quantity is of decisive importance. The strength of the action of price as a lever is determined by the quantitative level of price. In real life, the level of price and the effectiveness of management and supervision can be ascertained through experience. As to abstract theoretical study, the mechanism of the functioning of price in this respect can be qualitatively and quantitatively analyzed by logical reasoning and deduction, so as to obtain a thorough knowledge of the relevant laws.

IV

The expositions above are actually very simple; they can be regarded as knowledge and discussions within the scope of common economic knowledge. Had I not intended today to elaborate on the topic: "put price ahead of value," those expositions would have been of little value. Here divergence between Marxism and non-Marxist theories does not exist. Furthermore, the questions discussed here can be clearly explained without using the labor theory of value or the law of value or whatnot. If there are any problems at all which have not been very satisfactorily resolved here, I think they merely concern how to discuss the topic more concretely and elaborately. To have a more precise quantitative study and to work out precise and elegant mathematical formulas that represent complicated economic relations is not too difficult, but is not so easy either. Socioeconomic life is a complete and organic entity comprising highly extensive realms and involving extremely complicated interrelationships. Clearly sorting out these interrelationships requires great intellectual effort. If all questions related to price, including its direct and indirect effects, were considered, our study would involve the mechanism of working of the entire socialist economy. The question of price is not isolated; the use of price as a tool is also integrated with the use of other tools. Therefore, this kind of study entails certain other techniques. Studies involving the relations of interests between various parties concerned under socialism, the characteristics of socialist economic life, and so on, depend yet on a deep understanding of those tenets of political economics concerning socialism. The application of such studies to the study of real-world economic problems also depends on the development of the statistical science and the availability and correct use of more accurate factural information.

Here we find that many questions which people label as concerning "the application of the law of value" actually can be explained in terms of the concept of price, which is exchange value in money form, instead of in terms of the theoretical concepts of value and law of value. What questions, then, must necessarily be explained in terms of value and the law of value? I think such questions do exist. An example is the question of laws of price under socialism. Although under socialism many factors determine price, the basic viewpoint for examining the question of price is that the price of a particular product is based on the socially necessary quantity of labor for producing the product. The statement that price is based on value has two meanings. One meaning is that price is directly based on value, that is, market price fluctuates around value, affected by the demand-supply relation; this is the law of price for small or simple commodities. In the capitalist commodity economy, price is not directly based on value, but on production price. The situation also differs before and after the appearance of monopoly capitalism. Socialism has its own laws of prices. However, if by price being based on value we do not mean that price is directly based on value, then since under capitalism production price on which price is directly based is itself based on value, the proposition that price is based on value is also compatible with the reality of capitalism. Similarly, we can prove that the same reasoning also applies to the law concerning the conditions of price determination, with the scope of our reasoning ranging from monopoly capitalism to socialism.

Please note, comrades, that our discussion above has not touched on labor consumption; we only talked about the workers' need for consuming the means of livelihood in production and various other activities. When we consider the distribution of labor and how various sectors can very satisfactorily implement the principle of distribution according to work done, discussing value and the law of value is necessary. In using price as a level in organizing economic activities, apportioning economic interests, and managing the economy, we mainly regard the level of price either as a given or as something depending on our will, that is, something we can determine; this is not true, because there are some factors independent of man's will which help determine price. In studying those factors, we must rely on value and the law of value for a thorough theoretical explanation.

The labor theory of value is the basis for studying the movement of the commodity economy. It involves a wide range of difficult questions. Since this is not a subject of this article, I will not furnish further expositions on it.

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CSO: 4006/1168

PROVINCIAL AFFAIRS

GUANGXI OPENS ECONOMIC WORK CONFERENCE

HK120427 Nanning Guangxi Regional Service in Mandarin 1000 GMT 11 Jun 86

[Excerpts] A regional economic work conference convened by the regional people's government opened in Nanning on 10 June. Zhang Chunyuan, vice chairman of the regional government, presided at the meeting. Vice Chairman Wang Rongzhen delivered a report entitled "Persevere in Reform, Relax the Policies, and Strive to Truly Invigorate our Region's Economic Work." Wei Chunshu, deputy secretary of the regional CPC committee and chairman of the regional government, made a speech. Also present were leading comrades of the region Tao Aiying, Qin Yingji, Lin Kewu, Duan Yuanzhong, Li Zhenquan, and He Youjia.

Wang Rongzhen's report first summed up and analyzed the situation in the region's economic work this year. From January to May, industrial output value rose by 4.75 percent over the same period last year. Economic results improved. The financial situation continued to take a turn for the better. However, the demands of the plan were not met.

All localities and enterprises must take full advantage of the current favorable conditions of relatively abundant power supply and the beginning of a turn for the better in the shortages of circulating capital and raw materials, strive to increase output and income under the premise of improving economic results, and strive to change as soon as possible the situation of slow production growth, as a good first step in fulfilling the Seventh 5-Year Plan.

Wang Rongzhen said: We must spontaneously put reform in the first place and regard the development of lateral economic ties as the focal point in economic structural reforms this year.

Wei Chunshu stressed in his speech: To invigorate our region's economy, we must continue to persevere in putting reform in the first place. At present the reforms are encountering resistance. The leaders of all prefectures, cities, and departments must take lead in studying and profoundly appreciating the spirit of central documents on reform issued in recent years, draw clear demarcation lines in policies, firmly support and protect reform, create an excellent social environment for the reformers, and thus stimulate the smooth progress of reform.

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HEILONGJIANG HOLDS MEETING TO ARRANGE ECONOMIC TASKS

SK070755 Harbin Heilongjiang Provincial Service in Mandarin 1200 GMT 6 Jul 86

[Text] The provincial government held a meeting of mayors, commissioners, and country heads from 2 to 6 July to implement the guidelines of the national meeting of governors and mayors, to review the economic situation in the first half of this year, and to arrange the work for the latter half of this year.

Hou Jie, governor of the province, made a summing-up speech at the meeting. Attending the meeting were Chen Yunlin, An Zhendong, He Shoulun, Liu Zhongli, Zhu Dianming, (Li Rui), and Du Xianzhong.

The meeting pointed out: The economic situation in the first half of this year was good thanks to the sound development of the economy. The province has achieved better results in industrial and agricultural output after overcoming many difficulties. The province's total industrial output value in the first half of this year increased by 4.6 percent over the corresponding period of last year. The total output value realized by town and township enterprises was estimated to increase by 30 percent. The economic restructuring continued to develop in a profound manner. A fine economic environment has been formed thanks to our progress in lateral economic cooperation and the improvement in macroeconomic control. However, unfavorable factors and problems remain in the economic development. With regard to agriculture, crops [words indsitinct]. The industrial product mix and the consumption structure have not adapted to each other. Circulation of commodities has been blocked. Expenditure excessively increased. Our failure to eliminate these unfavorable factors and problems will affect the fulfillment of this year's national economic plans.

The meeting defined: The ideologies for guiding the economic work in the latter half of this year are to conscientiously implement the guidelines of the national meeting of governors and mayors, to persistently place reform before anything else, to grasp the work of increasing production and the work in the circulation field, to strive to upgrade economic results, and to make efforts to ensure the realization of this year's national economic construction and to lay a good foundation for the economic construction for next year.

The tasks for the economic work for the latter half of this year are as follows:

First, the basic guarantee for realizing this year's economic development plan is to persistently carry out reform. At present, we should continue to conscientiously implement the relevant policies set forth by the central authorities and the province and strive to create good external conditions for enlivening large and medium-sized enterprises.

Second, we should grasp the work of increasing production and the work in the circulation field in order to ensure the smooth progress of economic construction.

Third, we should strengthen management over financial work in order to ensure sufficient appropriations for increasing production and clearing the circulation field.

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CSO: 4006/1170

PROVINCIAL AFFAIRS

QINGHAI GOVERNOR SPEAKS ON ECONOMIC SUCCESSES, TASKS

HK050249 Xining Qinghai Provincial Service in Mandarin 2230 GMT 4 Jul 86

[Excerpts] Governor Song Ruixiang made a speech at the provincial meeting of autonomous prefectural and county governors on 4 July. He analyzed the province' economic performance in the first half of the year and outlined the major tasks for the second half.

Song Ruixiang said: The general economic situation in the province was relatively good in the first half of the year and the development was relatively normal. However, there are also many problems. The main ones are: There was considerable decline in revenue and increase in expenditure; economic results in industry are not good enough; the capital construction front is stretched too long; and implementation of the economic responsibility systems is not good enough. We must grasp the following tasks in the second half of the year:

1. Deepen reform and invigorate the enterprises. Instituting the plant manager responsibility system is a major reform in the enterprise leadership setup, and must be resolutely carried out. We must seriously firm up and perfect the economic contract responsibility system, vigorously develop lateral economic ties, and improve economic results.

2. Do a good job in organizing production and contruction and strive to fulfill the goals of the plan.

3. Work hard to open up new sales outlets and enliven the urban and rural markets.

4. Do a good job in macroeconomic control and strive for balanced budgets.

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CSO: 4006/1170

PROVINCIAL AFFAIRS

XIAN SPOKESMAN ON ECONOMIC SUCCESSES, PROBLEMS

HK050115 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 4 Jul 86

[Excerpts] A Xian city government spokesman said on 4 July that the city's economy recorded sound and steady development in the first half of the year. Output value of enterprises subordinate to the city authorities was 2.116 billion yuan, a rise of 6 percent compared with the same period last year. The summer grain harvest was good despite serious drought and plant diseases and insect pests. Total output is estimated at 827 million kilograms. Total retail sales in the city amounted to 1.782 billion yuan, an increase of 10 percent over the same period last year. Financial revenue was 369 million yuan, a rise of 10 percent.

The spokesman also pointed out that the outstanding problem in the city's economic work in the first half of the year was that all levels from top to bottom have still not truly put reform in the first place. This has affected the enthusiasm of the enterprise leading cadres to manage operations and has also had an impact on the workers' enthusiasm. The majority of large and medium enterprises have not been truly invigorated.

In view of the existing problems, the city government has made specific arrangements for economic work in the second half of the year, centering on reform.

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CSO: 4006/1170

BRIEFS

SHAANXI GOVERNOR ON ECONOMIC TASKS--According to SHAANXI RIBAO, the provincial conference of prefectural commissioners and mayors concluded on 7 July after 6 days in session. The meeting focused on conveying the spirit of the national conference on provincial governors. In connection with the province's realities, it also held lively discussions and reforming the labor system and the enterprise leadership setup and on the province's economic work. Governor Li Qingwei made an important speech on the province's economic issues. He said: We must absolutely not neglect the grain question. The province must make a new breakthrough in grain output in the future. We must continue to rely on the policies, on science, and on agricultural capital construction. On future industrial development, Li Qingwei said: We must rely on speeding up the technological transformation of the existing enterprises, on developing new industries, and on a major development of the township enterprises. On invigorating the enterprises, Li Qingwei said that we must stream line the administration and delegate powers, lighten the enterprises' burdens, firm up the plant manager responsibility system, increase the amount of floating wages and reduce the amount of fixed wages, ensure the supply of raw materials covered by the plan, and continue to solve the shortage of floating capital. [Text] [Xian Shaanxi Provincial Service in Mandarin 0100 GMT 9 Jul 86 HK] /9738

CSO: 4006/1164

'EXCERPTS' OF FUJIAN'S SEVENTH 5-YEAR PLAN

OW020901 Fuzhou FUJIAN RIBAO in Chinese 8 Jun 86 pp 1-3

[Text] The Seventh 5-Year Plan for Economic and Social Development of Fujian Province (Excerpts)

Introduction

The period of the Seventh 5-Year Plan for economic and social development of Fujian Province is crucial for the comprehensive reform of the economic structure, the science and technology management system, and the educational system. It is also important because during this period we must make the material and technological preparations so as to ensure greater economic progress during the 1990's. In order to attain the magnificent goal set by the 12th CPC National Congress and invigorate Fujian's economy so that the province can march at the front of China's modernization drive, it is absolutely essential for us to successfully carry out the plan.

There are many favorable factors in drawing up and carrying out the Seventh 5-Year Plan. Owing to the common efforts and hard work of the people throughout the province, the fighting goal set in the Sixth 5-Year Plan has been fulfilled, and profound changes have taken place in Fujian's economic and social outlook, thereby laying the material and technological foundations for the Seventh 5-Year Plan.

The period of the Sixth 5-Year Plan has marked a strategic change in Fujian's economic development, and the tremendous gratifying achievements scored in the province's various economic sectors have ushered in a most thiving period of economic development since the founding of the country.

During the Seventh 5-Year Plan, we must continue to consolidate and develop the excellent situation already achieved. However, some rather serious problems and restrictions exist in our economic development. Therefore, while fully acknowledging the current excellent situation and other favorable conditions for our further advance, it is also necessary to make a comprehensive assessment of the problems confronting us and the difficulties and complexities of fulfilling the tasks. In formulating and carrying out the Seventh 5-Year Plan, we must do things within our capabilities and try our best to make the plan realistic and feasible, basing it on a positive and reliable scientific approach.

Planning provides the major basis for exercising macroscopic guidance and control to ensure healthy economic development. In arranging the Seventh 5-Year Plan, we have strived to embody the spirit of reform. In order to give a comprehensive reflection of and exercise correct guidance over the economic activities of the whole society, we have not only mapped out planning for the state-owned economy but also carried out planning and forecasting for other economic components. We have drawn up mandatory planning for primary economic activities having a bearing on the overall situation, guidance planning for a host of economic activities, and market regulation over some economic activities in order to instill vigor and vitality into our economic life. While setting the plan targets, we also adopted appropriate policy measures and fundamentally integrated them into the plan. We have used economic and legal means, as well as administrative means when necessary, to better control and readjust economic operations and ensure smooth implementation of the plan.

It is impossible to make accurate forecasts of various trends in our economic development for the next 5 years because we are quite inexperienced in our planning work; new circumstances and problems will also continue to crop up in the interrelations between various sectors of the economy along with the deepening of structural reform during the Seventh 5-Year Plan. Therefore, some targets and measures of the plan need to be readjusted or replenished according to reality in implementing the plan every year.

I. Principles, Tasks, and Goals

Chapter I. Guidelines and Principles

The following guidelines and principles for economic and social development must be implemented during the Seventh 5-Year Plan:

1. Give priority to reform; ensure that reform and development adapt to and promote each other; guarantee that the needs of reform are met; and quicken the pace of development.

2. Keep a basic balance between total social demand and supply and try to maintain a balance in finance, credits, materials, and foreign exchange and a general balance among these different sectors.

3. Give top priority to improving economic results and especially product quality; correctly handle the relations between economic results and growth rates and between quality and quantity.

4. Further rationalize the industrial structure so as to keep pace with the people's changing demand patterns and with the modernization of the national economy; keep investment within proper limits; and strengthen the construction of key projects.

5. Shift the emphasis of development to technological transformation, renovation, and expansion of existing enterprises and have them expand reproduction chiefly by intensive means.

6. Develop both the coastal areas and the mountain regions; promote the establishment of lateral economic ties between the two regions; and put special emphasis on assistance to the old revolutionary base areas, areas inhabited by minority nationalities, frontier areas, and poor offshore islands.

7. Attach strategic importance to the advance of science and education; promote scientific and technological progress; and speed up the development of intellectual resources.

8. Open wider to the outside world, continue to enforce special policies and flexible measures to increase export and foreign exchange earnings; bring in foreign capital and advanced technologies and managerial skills according to plan; and better link the development of the domestic economy with expanded economic and technological exchange with other countries.

9. Further improve the material and cultural lives of both urban and rural residents on the basis of increased production and better economic results; help the people in poverty-stricken areas eliminate poverty as soon as possible and achieve prosperity step by step.

10. Promote the building of socialist spiritual civilization while furthering material progress; continue to maintain our tradition of hard work and thrift.

Chapter 2. Major Tasks

The major tasks set in Fujian's Seventh 5-Year Plan for Economic and Social Development are as follows:

1. To create a relaxed economic and social environment to facilitate economic restructuring and reform; lay most of the groundwork for a new type socialist economic structure; and maintain steady, balanced economic growth.

2. To concentrate necessary capital and materials on infrastructure, key projects, technological transformation, and the development of intellectual resources; to improve the investment environment, raise technological levels, and prepare the materials and technologies required for continued economic and social development in the 1990's.

3. To increase consumer goods production, speed up the development of tertiary industry; effectively control population growth; and further improve the material and cultural life of the people on the basis of increased production and better economic performance.

Chapter 3. Economic Growth Rate

Efforts should be made to achieve a higher, sustained economic growth rate on the basis of technological progress and better economic performance.

The total value of industrial and agricultural output for 1990 (calculated in terms of 1980 constant prices) shall be 34.5 billion yuan, an average annual increase of 8 percent: Total value of agricultural output shall be 9.5 billion yuan, an average annual increase of 6 percent; total value of industrial output shall be 25 billion yuan, an average annual increase of 8.6 percent.

The 1990 GNP (calculated in terms of 1985 prices) shall reach 26.7 billion yuan, an average annual increase of 8.2 percent: The contribution to GNP of primary industry shall be 7.8 billion yuan, an average annual increase of 5.3 percent, the contribution of secondary industry shall be 10.9 billion yuan, an average annual increase of 9 percent; the contribution of tertiary industry shall be 8 billion yuan, an average annual increase of 10.3 percent.

Chapter 4. Economic Performance

Improving economic performance is an important long-term policy of our economic work. In all economic activities, we should rely on technological progress, improve management standards, value information and market forecoasts, rationalize economic structure, and pay attention to conservation in order to minimize input and maximize output in the production, construction, and circulation spheres and to obtain the greatest economic returns with limited human, material, and financial resources.

Inferior quality, high material consumption, and low economic returns have long been problems besetting our production and construction. We must exert great efforts to resolve these problems. We must strengthen quality control; tighten labor, financial, and economic discipline; perfect systems for inspection and supervision; raise workers' standards; actively carry out technological transformation and importation, and use advanced technology and equipment to raise product quality and economic performance to a new level. All departments, localities, and enterprises should use economic performance to evaluate economic work and business management. The goals are as follows:

Per capita income for 1990 shall reach 828 yuan, an average annual increase of 6.7 percent.

Per capita labor productivity shall increase to 1,685 yuan by 1990, an average annual increase of 3.8 percent.

The amount of energy (measured in terms of standard coal) required to produce 10,000 yuan of national income shall be reduced to 6.37 metric tons by 1990, a decline of 1.17 metric tons from 1985.

The proportion of investment in fixed assets for capital construction projects to be brought into operation shall increase to over 75 percent.

All leading organs, economic management departments, and grassroots economic units should set specific targets for economic performance in the 5-year period according to the provincial plan and adopt necessary measures to achieve the targets.

Chapter 5. Generation and Distribution of National Income

In 1990, provincial income shall reach 23.4 billion yuan, calculated in terms of 1985 prices, an average annual increase of 7.9 percent. Total income for the 5-year period shall reach 100 billion yuan.

Total consumption funds for the 5 years are set at 104 billion yuan, the average annual rate of accumulation being 27.5 percent. The consumption level of urban and rural residents shall reach 550 yuan by 1990, an annual increase of 6.6 percent.

Chapter 6. Investment in Fixed Assets

The pattern of investment will be rationalized while investment in fixed assets will be kept within proper limits. Investment in energy, communications, raw and semifinished materials, and science and education will be increased. Input into agriculture will be increased at various levels and by various means. Investment in general processing industry will be appropriately reduced, and investment in the construction of office buildings, auditoriums, hotels, and other nonproductive projects will be controlled. Investment in capital construction and technological transformation and in productive and nonproductive projects will be kept in proper ratio. During the 5-year period, the total amount of investment in fixed assets will be 19.15 billion yuan, of which 13 billion yuan will be invested in state enterprises and institutions, 3 billion yuan in collective enterprises, and 3.15 billion yuan in private enterprises in town and country areas. Of total investment in fixed assets of state enterprises and institutions, investment in national projects will amount to 4 billion yuan; investment in local projects will amount to 3.5 billion yuan; investment in technological transformation will amount to 3.5 billion yuan; and investment in the Xiamen Special Zone will amount to 2 billion yuan. In addition, foreign capital totaling $1 billion (including $0.4 billion for the Xiamen Special Zone) will be used. This last figure has not been included in the investment plan.

A system to control investment in fixed assets of society will be established and perfected, and the size of investment in fixed assets will be strictly controlled.

The pattern of investment in technological transformation will be readjusted to improve returns.

Investment in capital construction will be made within our abilities, and the investment pattern will be further rationalized.

Preinvestment work should be carried out in a down-to-earth manner to provide a scientific bases for project decisions.

Investment planning and design and project management should be strengthened and improved.

Chapter 7. Restructuring the Economic System

Through economic restructuring during the next 5 years or so, we should, in the main, build a foundation for a vigorous and dynamic socialist economic system with distinctive Chinese characteristics. In the light of Fujian's actual situation, we should do a good job in the following three areas, which are interrelated:

1. We should continue to reinvigorate our enterprises so that they will become genuine independent socialist commodity producers and operators that are capable of growing and are responsible for their own profits or losses. On the basis of upholding public ownership of the means of production, we should continue to promote various other forms of ownership and economic diversification.

2. We should continue to develop the socialist market of commodities produced according to state plan and gradually improve the system of market operation. While improving and enlivening the consumer goods market and expanding the market for production means, we should systematically explore and establish money and technology markets and promote the rational flow of labor.

3. We should gradually replace direct state control of enterprises with indirect state control, relying mainly on economic and legal means as well as necessary administrative measures to control and regulate economic operations.

Chapter 8. Lateral Economic Ties

Promoting economic ties between enterprises and regions is essential for developing resources and the rational use of capital; for promoting commodity circulation and the formation of centralized socialist markets; for expediting technological advances and rational flow of proficient personnel; and for promoting rationalization of the economic structure and geographic distribution.

Upholding the principle of "making the best possible use of favorable conditions and avoiding unfavorable effects, developing diverse forms, offering mutual benefit, and achieving common progress," we should promote open interprovincial and interregional economic ties at various levels in the areas of production, commodity circulation, science and technology, capital, proficient personnel, and so forth. The Xiamen Special Economic Zone, the open city of Fuzhou, the Mawei development zone, and the triangular open district of southern Fujian should give full scope to their roles in importing capital, advanced technology, equipment, and management; digest and assimilate them; renovate them; and introduce them to inland and mountainous areas.

Interenterprise ties are a basic form of lateral economic ties. They should serve as a means to give full scope to enterprise potentials and to remove regional, professional, trade, and affiliation barriers. With the large and medium-sized enterprises playing the main role, departments engaged in specialized production should be organized to produce quality brand name goods, which should be their lead products. The objectives are to gradually set up different types of conglomerates or groups of all sizes capable of competing; to establish long-term cooperation in capital, technology, energy, and raw and semifinished materials; and to achieve big output, quick technological advances, quality products, and high economic returns from small investments.

In circulation, we should continue to remove regional and departmental barriers, and carry out cooperation and exchange so as to enliven the consumer goods market and develop the market for production means.

Intellectual cooperation and technological exchange should play a prominent role in lateral economic ties.

Efforts should be made to promote lateral cooperation in capital availability.

II. Rural Economy

Chapter 9. Tasks and Objectives of Rural Economy

Agriculture is the foundation for developing the national economy. It is necessary to make better use of Fujian's mountain and sea resources in order to promote all-round development of the commodity economy in rural areas. Specific demands are as follows:

1. Strive to double total agricultural output value in 1990 over that of 1980.

2. Actively and prudently readjust the agricultural production structure.

3. Ensure rational distribution of productive forces.

4. Accelerate agricultural modernization and technological transformation of rural industries.

5. Step up construction of agricultural infrastructure and improve agricultural production conditions.

6. Perfect the contracted responsibility system based on the household with remuneration linked to output; develop various forms of family cooperative or joint management according to the principle of voluntary participation and mutual benefit.

7. Intensify support for agriculture, increase agricultural investment, and "supplement agriculture with industrial products."

8. Actively increase agricultural accumulation by encouraging peasants to raise funds and organize labor among themselves.

Chapter 10. Grain and Edible-Oil Crops

Grain is a major issue concerning the national economy and social stability. It is necessary to conscientiously implement the principle of "sparing no effort in promoting grain production and actively developing diversified undertakings." Under the premise of ensuring a steady increase in grain output, it is necessary to adopt measures suited to local conditions to readjust the pattern and variety of crops. The area sown with grain crops small be stabilized at 1,933,000 hectares. While striving to raise per-unit yield, we shall increase the total grain output in 1990 by 13 to 17 percent over that of 1985 to reach 9 to 9.25 million metric tons. It is necessary to readjust the variety of crops by growing more paddy, wheat, and barley with fine strains, sowing soybeans between fields and on mountain slopes, and planting corn where conditions permit.

In developing grain production, it is necessary to adopt a series of practical and effective policy measures. We shall apply science and technology to improve the farming systems, popularize fine seed strains, and give free technical training and technology transfer. We shall increase material investment to improve production conditions and complete water conservancy facilities with some necessary auxiliary projects in order to strengthen our ability to resist natural disasters. We shall adopt both engineering and biological measures to transform low- and medium-yield fields. The acreage of winter crops and multiple crops index shall be increased. In order to support and promote grain production, it is necessary to centralize all financial, material, and technical resources for agriculture. It is necessary to reform the grain management system and improve grain circulation in order to protect and harness the enthusiasm of grain producers and transporters. We shall continue to institute the contract system in grain procurement and marketing, perfect the contract procurement system, and ensure that both buyers and sellers fulfill their economic responsibilities and that state procurement tasks based on contract are completed. It is necessary to step up before- and after-production services for the community and build necessary facilities for storing and transporting grain. In order to augment grain farmers' income, we shall "supplement grain production with industrial products." We shall continue to intensify the development and construction of bases for marketable grain by providing material, financial, and technical support, encouraging and assisting the development of grain processing and other industries, and developing farm and aquatic product processing industries.

It is necessary to energetically promote the production of oil-bearing crops, adopt effective measures to increase sources of edible oil, and strive to be basically self-sufficient in marketable edible oil. In stabilizing peanut acreage, we shall focus on raising per-unit yield. We shall give preferential treatment to those who actively increase acreage of winter rapeseed or popularize fine-quality, high-yield strains in order to increase output of edible oil. We shall make ample use of mountain resources to reclaim land to grow such major oil-bearing crops as tea oil trees. We shall also develop the production of such minor oil-bearing crops as sesame in order to increase the variety and total output of edible oil. In 1990, the acreage of major oil-bearing crops shall be 130,000 hectares with total output of 220,000 metric tons, topping 1985 by at least 24 percent. It is necessary to reform the edible oil management system; unclog circulation; decontrol oil crops procurement and marketing work; and raise the percentage of marketable oil.

Chapter 11. Cash Crops

Production of cash crops should be planned in accordance with current market supply and demand as well as expected future changes. Production of such commodities as sugarcane, fruits, tea, and cured tobacco should be encouraged, with emphasis on increasing per-unit yield and improving product quality. Fine-strain crops will be popularized, and the acreage devoted to inferior crops will be reduced. By 1990, output value of cash crops (including other crops) will reach 2.3 billion yuan, with an average annual increase of 9.7 percent. Acreage and output of sugarcane will reach 67,000 hectares and 6.6 million metric tons respectively; tea acreage and output will reach 133,000 hectares and 55,000 metric tons respectively; fruit output will reach 500,000 metric tons; cured tobacco acreage and output will reach 15,000 hectares and 30,000 metric tons respectively; and the value of flowers and plants will reach 2000 million yuan.

The bases for producing cash crops will be established according to a proper overall arrangement.

Chapter 12. Forestry

We should adhere to the principle of "fundamentally concerning ourselves with management of existing forests, relying on science and technology to protect and plant forests, and balancing the cutting and planting of trees to ensure constant availability of forests." We will plant forests for timber, economic benefits, shelterbelts, firewood, and for special timber. Output of forest by products such as bamboo, lumber, tea-oil trees, tong trees, and rosin, edible fungus, dried bamboo shoots, mushrooms, and herbs will increase.

In the Seventh 5-Year Plan, 200,000 hectares of forests will be planted, 167,000 hectares of mountains cordoned off for afforestation, and 47,000 hectares of forests sown by airplanes each year. Management of young trees should be improved to ensure good quality. By 1990, forest cover will reach 42 percent, 70 percent of the land will be covered with greenery, and the total volume of standing trees will reach 440 million cubic meters.

We must conscientiously implement the "Forestry Law" and related forestry policies, further expand the responsibility system for forestry, and protect and make reasonable use of forest resources. We will strictly forbid unscrupulous timber cutting and establish a sound system for examining and approving tree cuttings to ensure that mountainous forest farms are well-managed and circulation of forest products is unclogged. Consumption of forest resources should be controlled so that it will not exceed tree growth. This should serve as an important criterion in judging the success or failure of counties and townships. We must actively import advanced technologies, equipment and management methods, and increase our ability to develop timber products. We must vigorously develop intensive processing of timber so as to make better use of it. We must find new ways to make comprehensive use of timber, and develop a series of forest and chemical products. By 1990, timber output will be 7.5 million cubic meters, 400,000 cubic meters of which will be delivered to the state. Some 200,000 cubic meters of planks will be made, 60,000 metric tons of rosin will be produced, and 50,000 sets of wooden furniture will be manufactured.

Chapter 13. Animal Husbandry

It is necessary to involve the state, the collective, and the individual in the development of animal husbandry. We should vigorously support specialized households and integrated economic entities, and arouse the peasants' enthusiasm for production. We should ensure unclogged circulation and develop markets for animal products to enable producers and marketing agents to meet each other directly. Conscientious efforts should be made to process and make comprehensive use of animal products. Modernized stockbreeding farms, processing farms, major animal feed plants, and farms for breeding fine strains of animals and poultry will be built in cities, mining areas, tourist zones, and areas where animal feeds are relatively abundant. In this way, animal husbandry will turn out more products and become more specialized and modernized.

We will make conscientious efforts to raise hogs and produce more poultry, eggs, and milk. We must actively develop and make use of grassy hills and grassland to raise herbivores, and gradually increase the proportion of beef and mutton in the total meat output. By 1990 total output of meat, eggs, and milk will reach 650,000, 150,000 and 75,000 metric tons respectively, all exceeding 1985 production by more than 55 percent.

We must step up efforts to build bases for raising breed animals and producing animal feeds. We must conscientiously select and popularize fine strains of animals and poultry, purify and rejuvenate the locally available fine strains of animals and poultry, and import new fine strains from abroad. By 1990 the province will produce more than 500,000 metric tons of mixed (combined) marketable feeds after fully utilizing the animal feeds produced by peasant households.

We will establish bases for breeding marketable animals and poultry.

Chapter 14. Aquaculture

We will continue to implement the policy of "developing aquaculture, fisheries and processing, with emphasis on aquaculture, in a way appropriate to the local situation." There will be different priorities in different areas. We will restructure aquatic production with an aim to preserve, rationally develop, and exploit our marine resources and increase their value.

We will pay special attention to developing saltwater and freshwater aquaculture, offshore resources, and deep-sea fisheries, and to preserving and processing aquatic products for their multipurpose uses with a view to increase exports and market supply. In 1990, output of aquacultural production should reach 950,000 metric tons, and there should be a conspicuous growth in export.

We should make full use of the shallow sea, tidal areas, ponds and reservoirs in developing aquacultural production. Coastal areas should give priority to building commodity production and export bases. All localities must build fishery bases around urban areas.

We should further restructure fishing operations in order to preserve and rationally utilize coastal areas' fishery resources, explore offshore fishing rounds, and develop deep-sea fisheries.

We should improve the technology of preserving and processing aquatic products, including their multipurpose uses, in order to achieve higher returns from fisheries.

We will intensify aquacultural research.

Chapter 15. Rural Enterprises

Developing rural enterprises is the way that we must follow in order to restructure rural production and invigorate the rural economy. We should uphold the policy of giving them active support, planning their growth rationally, giving them proper guidance, and improving their management, so that their production is geared to the needs of agricultural production. Rural enterprises should be mainly operated by one or several households. They should develop their market of commodities for special use, and improve their supply, marketing and services in an effort to promote the development of commodity economy in the rural areas. We should give priority to undertaking labor-intensive processing of agricultural and associated products; provide storage, packaging, transport, supply, marketing, and other services needed before and after production; and develop various other types of commercial, catering and building services in a way appropriate to the local conditions. In accordance with government regulations and preserving natural resources, localities with the resources should actively develop small mining businesses and the construction industry. Rural areas located in economically developed districts should, in accordance with their actual needs and resources, set up enterprises supporting the needs of large industries and export. We should draw up plans for streamlining our enterprises, transforming their technology, and realigning their production so that our rural enterprises will advance in a sustained, steady and coordinated manner. Rural enterprises' output value in 1990 should double that of 1985.

We must effectively intensify our macroeconomic guidance, and actively assist the old revolutionary bases, minority areas, remote areas and offshore islands as well as impoverished areas to set up rural enterprises, linking the development of rural enterprises with projects to eliminate poverty. We should steadily proceed with our projects according to our capability and with a scientific approach. By no means should we act aimlessly. We should improve our management and set up a quality control system to ensure the quality of our products. We should improve our production techniques and replace outmoded equipment in order to achieve higher economic returns. We should pay attention to improving working conditions and deal with environmental pollution. We should implement the policy of subsidizing agricultural with industrial production by consolidating the material and technical infrastructure and by supporting agricultural production with part of the money drawn from the income of industrial production.

Chapter 16. Water Management and Water and Soil Conservation

Water management, the lifeblood of agriculture, is vital for industrial production as well as for people's livelihood. We should have a centralized plan for achieving more effective management and greater benefits, expanding services, and facilitating construction. To give full scope to the benefits of the existing facilities, we should speed up the construction of supporting facilities, tap their potentials, and improve their management and annual maintenance. On a selective basis, we should build a number of multifunctional facilities capable of flood control, irrigation, water supply, and power generation. During the next 5 years, we should have new facilities (including the potentials tapped from the existing facilities) capable of irrigating an additional 85,000 hectares of land, protecting 7,000 hectares of cropland from flood damage, providing drinking water to 1.5 million people, and controlling waterlogging on 13,000 hectares of land. With these new facilities and other necessary construction projects, we should have a relatively rational water management network.

We should earnestly do a good job in conserving water and soil, actively implement the policy of "attaching importance to prevention and control, with emphasis on prevention," and take effective measures to prevent soil erosion in a comprehensive manner and according to an overall plan. We must also take into consideration the situation in different localities, combine biological and engineering measures, and intergrate prevention and control. All localities should, by groups and by stages, proceed with the projects of improving the ecology of the areas ravaged by soil erosion.

Chapter 17. Management of Cropland

Cropland is the foundation of agriculture, and preservation of cropland is a fundamental national policy. Fujian, a province with limited acreage but a large population, must take more effective measures to protect its cropland.

To intensify cropland management, we must take effective economic, administrative, and legal measures to stop any misuse or unwarranted occupation of cropland and any misconduct of wasting or ravaging cropland. Nonagricultural use of cropland must be strictly controlled. Every effort should be made to ensure that urban and rural construction be carried out on hillsides and nonagricultural sites. In case a piece of cropland with reclaimable resources is absolutely needed, and when conditions permit, the land user should raise money for reclaiming the resources so as to compensate for the agricultural loss. Should that piece of cropland have no reclaimable resources, the land user should then pay for the use of that piece of land by investing in improving other cropland with medium or low productivity, or by investing in other agricultural construction projects that can improve soil fertility and productivity.

We should act as quickly as possible to draw up a general plan for land use, and work out implementation measures for land management.

To restructure the pattern of agricultural production, we should develop the use of nonagricultural land, and develop hilly areas for fruits, tea, and other perennial economic crops. In developing aquacultural production, we should make full use of the available water surfaces and tidal land, instead of good cropland, so as not to affect grain production.

Chapter 18. Meteorological Work

According to the demand for "accuracy, promptness, and economy," we should adopt the necessary new technology, give full scope to the potentials of the current operation, technology, equipment and services, and gradually guild a monitoring network integrating ground, aerial, and sea facilities, and radar, satellites, atmospheric physics and agricultural meteorology, as well as the corresponding remote sensing and automatic processing system. We should improve our forecasting of weather conditions that may cause disasters, provide better comprehensive meteorological services, and make more accurate weather forecasts and warnings.

III. Industry and the Building Trade

Chapter 19. Major Tasks and Objectives of Industry

It is necessary to improve the efficiency, build up our capabilities, lay sound foundations, and accumulate the strength for future advances.

1. Maintain a stable and relatively fast growth rate on the basis of improved economic efficiency.

2. Energetically develop the production of consumer goods.

3. Step up the construction of raw and semi-finished material industry.

4. Ensure the supply of manufactured goods needed by agriculture.

5. Strive to develop technological equipment industry.

6. Actively explore new industries.

It is necessary to adopt effective measures, such as carrying out key construction projects, developing quality products, and introducing intensive management, to gradually build up the 10 major industries, namely food, textile and garment, paper-making, metallurgical, chemical engineering, building materials, electronics, and machine-building industries, and light industrial products for daily use, and enable them to lead local industries in achieving an allround development of other industries.

Chapter 20. Food Industry

It is necessary to pay close attention to the comprehensive utilization of edible resources and development of basic raw materials for new foodstuffs. While exploring new industries, we shall consolidate and develop new products for such key trades as grain, edible oil, and fruit processing, sugar, canning, cigarettes, salt, tea, beverages, and beer. We shall also refine the processing of starch, oil, and sugar, and develop flour of various grades and special starch and oil. It is necessary to continuously adopt new technology and techniques to develop new foodstuffs, fast foods, baby food, foods for the aged, food for tourists, and health foods and beverages, as well as all kinds of amino acid, enzyme inhibiter, and new food additives, in order to promote reform in the structure of people's diet, produce a greater variety of better foodstuffs, and foster a consumption trend, in which people spend less time cooking and eat more healthy and nutritious food of all kinds. In 1990, the output of canned food is expected to be 150,000 metric tons; sugar, 600,000 metric tons; salt, 1.2 million metric tons; cigarettes, 600,000 cartons; beer, 150,000 metric tons; and refined tea, 40,000 metric tons.

Chapter 21. Textile and Garment Industry

In line with the demand to improve the people's livelihood and increase foreign trade exports, it is necessary to develop new products, increase the variety and design, and improve product quality of the textile and garment industry. In 1990, the output of chemical fiber is expected to be 31,000 metric tons; yarn, 320,000 bales; cloth, 200 million meters; printed and dyed cloth, 150 million meters; knitwear yarn, 100,000 bales; woolen fabrics, 1.7 million meters; silk products, 27 million meters; and gunnysacks, 20 million.

Chapter 22. Light Industrial Products of Daily Use

In order to keep abreast with the people's improved livelihood and adapt to the changes in the structure of consumption, it is necessary to energetically promote the production of light industrial products of everyday use, in particular readily marketable durable consumer goods in fashion, chemical engineering products for daily use, and other light industrial products for everyday use.

In 1990, the output of bicycles is expected to be 700,000; refrigerators, 300,000; washing machines, 200,000; and plastic products, 150,000 metric tons.

Chapter 23. The Stationary Industry

In the stationary industry, attention should be focused on developing papermaking and sensitive materials.

It is necessary to make the best use of Fujian's rich fiber resources in forests, bamboo, bagasse, and awn stalks in accelerating the development of papermaking industry. In 1990, the output of machine-made paper and cardboard is expected to be 500,000 metric tons.

As far as sensitive materials are concerned, in 1990 the output of color photographic paper is expected to be 1.2 million boxes; and color films, 1.8 million square meters.

Efforts should also be made to increase the production of handicraft articles and cultural, educational, and sports goods.

Chapter 24. Electronics Industry

It is necessary to stress the improvement of economic results, pay attention to the production of export goods, and adhere to the principle of balanced development of consumer products, basic products, and investment products with more emphasis on consumer products. It is necessary to develop selectively the production of radio, television, and telecommunications equipment, computers and peripherals, electromechanical-optical products, optical lenses, integrated circuits, and kinescopes, and improve the technology for these products. Great efforts should be made to develop the production of new products, and of basic parts and components which are lacking or in short supply. Emphasis should be put on importing items which enable us to earn or save foreign exchange. We should surely do a good job in understanding and applying imported technology and in developing new products, and should rapidly step up our ability to build auxiliary projects in support of imported equipment. The output of major products in 1990 should be 5,000 microcomputers, 900,000 television sets (of which 650,000 are color television sets), 1 million radio-cassette-records, 5,000 video recorders, and 800,000 kinescopes (of which 300,000 are color kinescopes).

Chapter 25. Machine-building and Shipbuilding Industries

The machine-building industry should adhere to the principle of "improving quality, increasing variety, raising technological level, and improving economic results." It should readjust, transform and strengthen itself and develop lateral cooperation to become a specialized and cooperative production community which mainly produces backbone products. It should actively import advanced technology and develop new and advanced technical equipment to help all economic sectors make technical progress. It should develop new products of good quality for the light industry and special-purpose products. It should increase exports to earn more foreign exchange. With an average annual increase of 10.3 percent, the total output value of the machine-building industry in 1990 should reach 1.8 billion yuan. In 1990, we expect to produce 5,000 motor vehicles, 3,000 machine tools, electric power generating equipment with a total capacity of 80,000 kilowatts, internal combustion engines with a total power of 1.1 million horsepower, and 20,000 walking tractors.

The national defense industry should adhere to the principle of "producing both military and civilian products and considering both peace and wartime" and that of "further readjusting small third-line military industrial enterprises and shifting them to producing civilian goods." Under the unified guidance of the machine-building industry plan, the national defense industry should take advantage of its superior equipment and technical forces to introduce new technology from abroad and establish lateral ties at home and do a good job in readjusting its small third-line enterprises in the course of readjusting product mix and geographical distribution of production locations.

The shipbuilding industry should put the stress of its work on developing such new products as coastal transports, energy-saving shallow-water vessels, and engineering vessels. It should upgrade steel ships for civilian use of the 5,000-metric-ton-class to the 20,000-metric-ton-class. In 1990, we expect to raise our annual shipbuilding capability to 40,000 metric tons from 25,000 metric tons, and to build 35,000 metric tons of ships.

Chapter 26. Metallurgical Industry

It is necessary to make great efforts to develop the metallurgical industry, concentrate on improving economic results, strive to lower the consumption of energy and raw and processed materials, and increase production in the course of conservation. It is necessary to introduce advanced technology from outside, accelerate the transformation and outfitting of existing enterprises, and develop serialized products and new materials. It is necessary to build mines well and to help the masses and town and village enterprises run mines to increase ore supply. It is necessary to implement the responsibility system to guarantee a promised output with a fixed input. In 1990, we expect to produce 1.1 million metric tons of iron ore, 360,000 metric tons of coke, 600,000 metric tons of pig iron, 600,000 metric tons of steel, 500,000 metric tons of rolled steel, 22,000 metric tons of electrolytic aluminum, and 20,000 metric tons of iron alloy.

Chapter 27. Chemical Industry

It is necessary to actively develop chemical industrial products, especially production and improvement of raw material products for the chemical industry. We should make the best use of our resources, market conditions, and existing foundations in developing new chemical industrial products. Efforts should be concentrated on promoting production of basic chemical industrial materials, soda ash, caustic soda, and calcium carbide in particular, increasing the proportion of organic chemical industrial products, manufacturing serialized refined chemical industrial products, ensuring production of chemical fertilizers and farm insecticides, and actively developing all kinds of fine-quality, efficient, economical, and safe farm insecticides. It is also necessary to actively create conditions for developing the petrochemical industry and opening up other new ares for Fujian's chemical industry. In 1990, the output of caustic soda is expected to be 72,000 metric tons; soda ash, 35,000 metric tons; plastic materials, 54,000 metric tons; calcium carbide, 145,000 metric tons; synthetic ammonia, 450,000 metric tons; and chemical fertilizers, 356,000 metric tons.

Chapter 28. Building Materials Industry

It is necessary to vigorously promote the production of cement, glass, and new building materials, and step up the exploitation of nonmetallic minerals. While expanding the production capacity and increasing the output of cement, we should technologically upgrade, by stages and in groups, a number of small local cement plants with good conditions in order to improve product quality, increase variety, and lower consumption. We should also actively develop new energy-efficient, multipurpose insulation materials, accelerate the development of light-weight materials for decoration and remodeling, and high-tensile materials for paneling and ceilings, increase the production of aerocrete, prefabricated materials, sand-lime bricks, and hollow bricks, and step up the exploitation and processing of such mineral resources as kaolin, silica sand, bentonite, granite, and marble. In 1990, the output of cement is expected to be 4.5 million metric tons; plate glass, 1.3 million boxes; and glazed tiles, 1.4 million square meters.

Chapter 29. Building Trade

The building trade is a major material production department in the national economy. It is necessary to strive for a relatively big growth in the building trade in order to cope with the needs of national economic development. In 1990, the total output value of the building trade is expected to reach 5.6 billion yuan, averaging an 8.4 percent increase annually.

IV. Energy, Transport, and Post and Telecommunications

In developing the energy industry, it is necessary to implement the policy of laying equal stress on development and conservation. We should readjust the energy structure, explore new energy resources, develop more energy sources for rural areas, carry out technical transformation for conserving energy, build an "energy-efficient" economic structure, and reduce industrial consumption of energy.

In developing transport and post and telecommunications, we should encourage all departments and localities to build more facilities, introduce diversified forms of state, collective, and individual management, and manage transport in an economic and rational manner. In order to develop railways, highways, airways, and post and telecommunications in a balanced way, it is necessary to bring into full play the leading role of railway transportation, vigorously develop waterway transportation, and actively tap the potentials of highway transportation. In 1990, Fujian's total transport volume is expected to reach 115 million metric tons, an increase of 38 percent over 1985.

Chapter 31. Power Industry

Continue to develop waterpower resources, speed up the construction of key hydroelectric power stations, raise the regulating capacity of hydroelectric power, promote the construction of large and medium-sized thermoelectric power plants, improve the structure of hydroelectric power and thermoelectric power, pay great attention to the construction of medium-sized power stations, help develop small hydroelectric power stations in a planned way in areas where it is difficult for large power networks to reach; and complete the construction of 10 rural electrification experimental counties throughout the country. The capacity of power industry to be developed in the next 5 years will be 2.8 million kw with planned output of 1.35 million kw. The province's installed capacity in 1990 will reach 3.7 million kw, while power to be generated in 1990 will reach 11.4 billion kwh (including 5.7 billion kwh of hydroelectric power and 5.7 billion kwh of thermoelectric power) with an average annual growth of 8.9 percent.

Chapter 32. Coal Industry

Strengthen geological prospecting, expand the scale of mine construction, help develop small coal mines, promote multi-purpose utilization, and increase economic results. The coming 5 years will see the construction of 22 large, medium-sized, and small mines with a capacity of 2.85 million metric tons. The 5 years will see the completion of 12 new mines with newly increased capacity of 1.66 million metric tons and a reduction of capacity of 430,000 metric tons because of abandonment of some mines. At the end of 1990, the capacity of regular mines will reach 6.04 million metric tons, while the production and technical level of small coal mines will be raised.

Adopt the investment contract system, make less investment to obtain more returns, increase investment results; promote technical transformation for existing mines, tap production potential, raise the utilization ratio of each mine, encourage local authorities and departments to raise funds to run small coal mines; increase the productivity of coal mines and rate of recovery of resources; stress production safety. In 1990 the province will produce 6.5 million metric tons of coal, but we will strive hard to produce 7 million metric tons, including 4 million metric tons from provincial coal mines and 2.5 million to 3 million metric tons from small coal mines.

Chapter 33. Conservation of Energy Resources

Continue to strengthen the utilization and management of energy resources, improve rules and regulations governing the management of energy resources, popularize the means of measurement, adopt the rationing contract system, strive to develop technical transformation for conserving energy resources, and actively disseminate new energy conserving techniques, technologies, products, and materials which are in great demand and whose energy conserving results are remarkable. Formulate and improve regulations on conserving energy, including charging additional fees for overconsumption of energy, awarding consumers who conserve energy, supplying low-price energy to consumers producing energy-conserving machinery and electrical products, and eliminating backward technology and equipment, and raise the utilization rate of energy resources. Continue to readjust the structure of all trades, enterprises, and products to reduce consumption of energy resources; do all foundation work well so that the management of conserving energy resources can become scientific, systematic, and regular. During the coming 5 years the province plans to save 1.6 million metric tons of standard coal, including 1.45 million metric tons to be saved by the industrial departments. In 1990, energy consumption will be reduced to 40,000 metric tons of standard coal for every 100 million yuan in industrial output value. The average saving will be over 3 percent.

Chapter 34. Railways and Civil Aviation

For railway construction, it is necessary to strengthen technical transformation, bring the existing facilities into full play, and rapidly increase transport services. Complete the electrification project of the Yingtan-Sizmen Railway. Complete the revamping project of the Waiyang-Fuzhou Railway in coordination with the construction of the Shuikou Hydroelectric power station and speed up the construction of the Tianhushan feeder railway of the Zhangping-Quanzhou Railway. Make early-stage preparations well for the Hutou-Quanzhou-Meizhouwan line of the Zhangping-Quanzhou Railway and study the feasibility of constructing the Jiangxi-Longyan Railway and the Guangdong-Fujian Railway. In 1990 the province's railway transport capacity will double, while the volume of freight transport will reach 20 million metric tons.

In civil aviation construction, our main task is to construct the extension projects of Fuzhou and Xiamen airports, improve the technical level, expand the capacity for large and medium-sized aircraft to take off and land, use advanced equipment for an air control system to meet the need in opening to the outside world, open more international and domestic airlines, increase the number of flights, guarantee flight safety, and improve services.

Chapter 35. Water Transport and Highways

Special attention must be paid to the development of water transport. We shall accelerate the construction and technical transformation of ports and piers, and improve the transport of grain, coal, petroleum, and other key materials into the province and of commodities out of the province. We shall build, in stages and by groups, 11 deep-water berths, 3 passenger transport berths, and 14 small and medium-sized berths with a total designed capacity of 13.43 million metric tons and 720,000 passengers. Vigorous efforts shall be made to develop barge transport and build barging facilities at three places with an additional loading and unloading capacity of 1.85 million metric tons. We shall set up a special maritime transport fleet, step up the construction of port and pier facilities, continue to dredge the waterway from Mawei to the sea, and intensify the efforts to improve, develop, and utilize inland water transport in an all-round manner. By 1990, the total loading and unloading capacity of the coastal ports is expected to be 12 million metric tons, and the total water transport freight volume, 10.5 million metric tons.

Highway construction shall be focused on revamping major highways with heavy traffic and highways linking ports, and upgrading the road surface. We shall build inter-provincial and inter-county dead-end roads and necessary bridges, and use the grain, cotton, and cloth allocated by the state to help impoverished areas build roads in order to gradually improve transport in old revolutionary bases, areas inhabited by minority nationalities, the frontier, and islands. We shall also continue to appropriately readjust transport prices, and use road and bridge tolls for transport construction. We shall encourage collectives and individuals in town and country to run highway transport undertakings. By 1990, the volume of highway freight is expected to be 85 million metric tons.

Chapter 36. Post and Telecommunications

Attention shall be focused on computerizing city telephones and setting up more long-distance transmission lines. A system of automatic or semi-automatic connections for long-distance calls between the provincial capital and key cities will be introduced. International telecommunications will be developed. An additional 60,000 computerized telephones will be installed; 3,500 long-distance telephone lines and 517 km of optical fiber long-distance cable will be built. We shall also establish 10 postal processing centers, remodel and increase rural telephones, and improve rural telecommunications.

V. Finance, Banking, and Commodity Circulation

Chapter 37. Financial Revenues and Expenditures

It is necessary to implement the policy of "promoting the production, developing the economy, broadening the horizon, and exploring new financial resources."

Based on Fujian's economic development and the existing financial system, the province's financial revenues will amount to 4.06 billion yuan in 1990 and, calculated in terms of comparable factors, will average a 9 percent annual increase, with a total of 17 billion yuan in financial revenues over the 5-year period. The proportion of financial revenues to the people's income will increase to approximately 17 percent.

In financial expenditures, we shall adhere to the principle of "keeping expenditures within the limits of our resources and income, ensuring the focal points, and giving consideration to things in general." Financial expenditures will amount to 4.27 billion yuan in 1990, and will total 18.19 billion yuan over the 5-year period, with subsidies from the central government to balance the income.

We shall explore the possibilities for acquisition and accumulation of funds, pay a great deal of attention to using funds, conserve and expand the existing financial resources, and improve the taxation work in order to ensure a steady increase of financial revenues. We shall also carry forward the glorious traditions of building up the country through thrift and hard work; practice economy; increase production; oppose waste and extravagance; step up financial supervision, and reinforce financial and economic discipline.

Chapter 38. Credit Receipts and Payments

It is necessary to strengthen and improve macroeconomic control of banking and further invigorate the banking business. It is necessary to bring into full play the regulatory role of bank credit loans, interest rates, and exchange rates in economic operations to guide the circulation of funds, regulate the total demand of society, and increase the utility of funds. During these 5 years, bank deposits are expected to increase by 8.8 billion yuan at an average annual rate of 11.4 percent, bank loans to increase by 13.7 billion yuan at an average annual rate of 14.9 percent, and the currency put into circulation to amount to 2.8 billion yuan.

Chapter 39. Foreign Exchange Receipts and Payments

Efforts should be made to earn more foreign exchange by increasing exports, seeking remittances from overseas Chinese, and increasing foreign exchange income from tourism, labor service, and other non-trade undertakings in order to meet the needs of further opening to the outside world and accelerating economic construction. It is necessary to ensure overall balance and macroeconomic control of foreign exchange, and to ensure proper use and management of foreign exchange to improve economic results.

With efforts to increase foreign exchange income, we expect to receive foreign exchange amounting to $3.29 billion during these 5 years, $1.22 billion more than during the Sixth 5-Year-Plan; the 1990 foreign exchange income alone is expected to reach $860 million, more than doubling the 1985 income.

It is necessary to improve foreign exchange management, develop foreign-currency savings accounts, use one's foreign exchange surplus to make up for another's foreign exchange deficiency, and strictly ban illegal procurement of foreign exchange, evasion of foreign exchange control, and buying or selling of foreign exchange without authorization.

Chapter 40. Circulation of Consumer Goods

Under the guidance of the state plan, we should fully use effective economic means, and also administrative means if necessary, to stimulate commodity circulation and invigorate urban and rural markets. We should ensure smooth commodity circulation, rationalize and stabilize commodity prices, balance the commodity lineup, make the urban and rural commodity economy more prosperous, and fill the market with a rich array of goods.

Great efforts should be made to procure marketable goods for market supply.

It is necessary to strengthen macroeconomic control and management of consumer goods, and guide and regulate commodity circulation in the society, and ensure sufficient consumer goods supply according to demand in both quantity and variety.

We should improve basic commercial work, ensure good business ethics, provide good service, and protect consumers' interest.

In 1990, consumers' purchasing power is expected to total 22.5 billion yuan, increasing at an average annual rate of 12.8 percent; the volume of retail commodity sales is projected to reach 20 billion yuan, increasing at an average annual rate of 13.3 percent.

Chapter 41. Circulation of Means of Production

We should manage well the materials earmarked for planned unified distribution, arrange well the materials not included in the state plan, and increase material resources according to the needs of economic development and the availability of material resources. We should stabilize commodity prices and the market, strive to achieve a balance between availability and demand in the means of production, and ensure that economic construction proceeds smoothly.

We should reform the management system for the means of production step by step.

We should improve the management of materials earmarked for unified distribution.

We should continue to pay attention to conservation of materials and to finding substitutes for certain materials.

We should actively arrange well materials not included in the state plan, enhance the regulatory role of the market, and cooperate in various ways to make up for certain material shortages.

Chapter 42. Trade With Taiwan

To develop trade with Taiwan is an important work for promoting exchanges between the people across the Taiwan Strait. We should take full advantage of Fujian's favorable conditions to develop direct trade with Taiwan. We should strengthen leadership and management, exercise a unified command, and take concerted actions to develop trade step by step in accordance with unified policies and a principle of steady and sound development. In the course of promoting direct trade with Taiwan, we should actively introduce investment by Taiwan compatriots in joint ventures or cooperative enterprises.

We should step up the construction of basic facilities for trade with Taiwan.

Chapter 43. Market and Commodity Price Control

It is necessary to develop and improve the market system and develop a unified socialist market. It is necessary to continually reduce varieties and quantities of products under unified state allocation and distribution, and improve the system of purchasing farm and sideline products according to contract. We should develop inter-regional and inter-departmental commodity circulation, and gradually establish new commercial forms combining agriculture, industry, and commerce, or agriculture and commerce, or industry and commerce, or commerce in different areas and trades, or rural and urban areas, and steadily expand the markets for consumer goods and for means of production. We should actively, and reliably, advance price reform, and gradually establish a system in which the state sets the prices of a few vital commodities and labor services, while leaving the rest to a pricing system under state guidance, and to market regulation. We should strengthen market and commodity price control and bring competition as a mechanism into full play to retain the superior and eliminate the inferior. We should promote, and support, enterprises making competition under a fair tax system, and increase economic results of enterprises and society as a whole.

We should strengthen the administrative management of enterprises in charge of commodity circulation. We should improve laws and regulations governing market control, and use legal means to guarantee the normal market operations.

VI. Foreign Economic Relations and Trade and Technical Exchange

Chapter 44. Import and Export Trade

We should actively develop production to increase exports and foreign exchange earnings, increase the economic results from imported equipment and technology, and fundamentally coordinate all economic relations in the development of foreign trade. We should seriously study and formulate a strategic plan and systematic policies and measures for the development of foreign trade and exports by bringing our superior position into full play, and in accordance with the needs of the international market. We should bring the role of the Xiamen Special Economic Zone, the coastal city of Fuzhou, the Mawei Economic and Technical Development Zone and the Triangle in southern Fujian opening to the outside world into full play to spur Fujian's import and export trade. We should steadily improve administration and management, improve the quality of enterprises, and lay good foundations for a still faster development of Fujian's foreign trade.

We should increase the province's total export volume faster than the increase of industrial and agricultural production. Our total export value in 1990 should be U.S. $800 million, with an average annual increase of 10.3 percent.

The structure of our export commodities must further improve.

We should establish an export production system.

We should strive to improve the quality of export commodities.

We should import foreign equipment and technology in a planned way.

We should obtain a sound foreign trade foundation.

Chapter 45. Utilizing Overseas Chinese and Foreign Capital

In accordance with the needs of developing the national economy, we must use overseas Chinese and foreign capital, mainly to construct energy, communications, telecommunications, and other basic facilities, and raw and other material industries. We should also use it to promote the technical transformation of the light, chemical machine-building and electronics industries and agriculture, raising the follow-up capacity of economic development. We should also give priority to construction of projects which will produce export commodities and earn foreign exchange, projects which demand concentrated technology and those of a developing nature. We should increase exports and foreign exchange earnings to create conditions for repayment and further expansion of the scope of foreign capital use.

We should widen various channels for using overseas Chinese and foreign capital, and strive to attract more funds and technology.

We should greatly increase the social benefits and economic results of utilizing overseas Chinese and foreign capital.

We should strengthen the overall management, planning, and guidance of utilizing overseas Chinese and foreign capital.

Chapter 46. Import of Technology and Intellectual Resources

We must, keeping in mind provincial conditions, uphold the policy of further developing imported technologies by applying and mastering them. We should import appropriate advanced technologies, especially those which require little investment but can yield quick results when used in close connection with technical innovations of existing enterprises. We can acquire these technologies through flexible and various means including license trade, transfer of specialized technology, advisory and consultation services, technical services, and joint development. We should do this in order to catch up with the world advanced standards regarding such major technical and economic indexes as product quality and energy and raw material consumption; to earn more foreign exchange through export; and to comprehensively improve economic results. While expanding technical and equipment imports, we must expand imports of intellectual resources from abroad through various means and channels. While making rational use of existing local personnel, we must bring into fuller play the role of outside personnel.

We must strengthen guidance over macroeconomic activities and work out plans.

Chapter 47. Xiamen Special Economic Zone

In drawing up the overall plan for the Xiamen Special Economic Zone, we must monitor the new technological revolution in the world and develop Xiamen into an economically prosperous, scientifically advanced, culturally developed, socially civilized, and environmentally beautiful place. We must persist in the policy of "doing special, new things in special, new ways and applying brand-new methods while keeping one's basic stand unchanged." We must actively attract overseas Chinese and foreign capital to set up Sino-foreign joint ventures and cooperative enterprises with us, or launch ventures exclusively with their own investment in a more open, bolder, enterprising spirit. We must import advanced technologies and management know-how to renovate existing enterprises and to increase our capacity to earn foreign exchange. Efforts should be made to develop technology- and knowledge-intensive industries on a large scale in order to improve our technical level. We should work hard to make the Special Economic Zone a port city where modern industries, foreign trade, transport, commerce, tourism, the construction industry, and the real estate and banking businesses develop comprehensively, and which serves as "windows to technology, management, knowledge, and open policy" as well as an important base for motherland reunification.

We must continue to implement the preferential policy and flexible measures authorized by the state and carry out development and construction in a planned and systematic manner. With regard to the production structure, we should stress industries with an advanced level of technology; in industrial investment, we should give priority to introducing foreign capital; in foreign trade, we must emphasize export and increasing foreign exchange earnings.

Chapter 48. Fuzhou Open City and Mawei Eocnomic and Technological Development Zone

We must actively introduce investment from abroad, establish lateral ties at home, and develop foreign economic relations, trade, and technical exchanges in a planned and selective manner. We should, on the basis of our existing foundation, accelerate the import of advanced technologies to renovate, rebuild, or expand our existing enterprises. At the same time, we must also launch some new projects, actively develop new industries, increase our capacity to earn foreign exchange through export, carry out infrastructure construction, and improve the investment environment for introducing foreign capital and launching enterprises.

The Mawei Economic and Technological Development Zone must adhere to the principle of expanding gradually and only in accordance with its capacity, so that each new undertaking will be successful and profitable. We should concentrate on developing technologies in launching Sino-foreign joint ventures, cooperative enterprises, and ventures exclusively with foreign investment in order to import appropriate, urgently-needed advanced technologies into our country. Efforts should be made to develop new technologies and high-grade products, earn more foreign exchange through export, and provide new materials and key spare parts and spread new technologies and new scientific management know-how to the interior.

Chapter 49. The Open Triangular Zone of Southern Fujian

We should take full advantage of the favorable conditions in the triangular zone of southern Fujian and give priority to developing agriculture, new industries, foreign trade, and tourism under a trade-industry-agriculture setup. We should rationally readjust the agricultural structure, seriously do a good job in introducing new technology from abroad and in making technological transformation, and constantly upgrade products. We should strive to increase exports and turn Fujian into an important foreign trade base. We should develop the export of perishable commodities, especially those to Hong Kong and Macao. We should do solid work in improving variety and maintaining freshness in storage, packing, and transport according to the requirements of Hong Kong and Macao markets. We should introduce needed technology from abroad; step up technological transformation of existing enterprises; and strive to develop high-grade, precision, and advanced products and products of good quality in short supply. We should import advanced technology and equipment and use them to create a new situation and promote technological progress in the interior. We should introduce selectively, foreign management methods that suit community-oriented, large-scale production and seek useful experience for restructuring the economy. We should market Fujian-made "foreign goods" in China's interior to make domestic markets prosper and to satisfy the people's needs. We should develop foreign trade and seek international markets throughout the world to increase our foreign exchange income. We should promote cooperation with the interior to exploit natural resources, produce famous-brand and high-grade goods, and exchange qualified personnel and technology; we should help promote economic development of the interior and turn Fujian into a showcase for expansion of foreign economic relations.

Chapter 50. Contracted Projects in Foreign Countries and Labor Export

Contracted projects in foreign countries and supplying labor to foreign countries are important parts of our economic and technological cooperation with these countries; they are also important ways to promote our relations with foreign countries, especially the Third World countries, and to earn foreign exchange. We should strive for big developments in this respect. In order to do so, we must strengthen leadership, formulate overall plans, adopt effective measures, bring into further play our advantageous conditions of having connections with many overseas Chinese and having a large labor force of good quality; we must seriously implement the policy of "abiding by contracts, ensuring quality, seeking small profits, and acting in good faith" and the principle of "equality and mutual benefit, stressing practical results, diversity of forms, and common progress."

Chapter 51. Tourism

The tourism industry is an important component of the economy. We should bring into full play the "vanguard" role of tourism in the course of opening to the outside world and strive to develop the tourist industry at a comparatively faster pace.

We should actively accelerate the construction of tourism facilities group by group according to local conditions and our abilities.

We should speed up the training of a contingent of well-trained tourism workers who love tourism and have adequate ideological understanding, and we should constantly improve our service to tourists. In 1990, we expect 700,000 tourists from abroad, and our foreign exchange earnings from tourism should more than triple 1985 earnings.

VII. Regional Economic Development and Geographical Distribution

Chapter 52. Policy for Regional Economic Development

Regional economic development and strategic distribution should adhere to the principle of simultaneously developing coastal areas and mountain areas taking into consideration their strong points. We should undertake the tasks of rationally readjusting the economic structure, taking the road of expanding reproduction by intensive means, and promoting a gradual rationalization of economic distribution in both coastal and mountain areas. We should develop the regional economy step by step in order of importance and urgency and under the principle of integrating regional division of labor with overall development and combining proper decentralization with rational centralization.

Chapter 53. Coastal Economy

The coastal region, with its relatively developed commodity economy, sound industrial and agricultural foundations, advanced science and technology, convenient transport, and quick access to information, forms an important base for Fujian's economy. During the Seventh 5-Year Plan, we should fully utilize this base and make the best use of its favorable conditions as focal points to open to the outside world; build bases for cash crops, fisheries, and motherland reunification; develop new industries to increase foreign exchange earnings; introduce advanced technology and management; and provide information and consultations in order to support and spur the economic development of the province as a whole.

Chapter 54. The Economy of Mountainous Areas

It is necessary to accelerate the economic development of mountainous areas. We should step up geological surveys and prospecting; improve planning and define the strategy and focus for economic construction in mountainous areas; intensify energy, transport, and other infrastructure construction by exploiting mineral resources and developing raw and semifinished materials industries; vigorously promote agriculture and build bases for forestry, animal husbandry, and marketable grain; fully utilize resources of mountainous areas and raise per-unit yield of arable land by growing suitable cash crops; adopt measures suited to local conditions to develop a number of intensive processing industries and light industries; and speed up technological transformation of existing key enterprises. We should also step up the training of technical and other specialized personnel for construction according to the special characteristics of the economic development of mountainous areas so that they can serve as the intermediate link between the coastal and inland regions. We should also continuously boost the economic strength of mountainous areas so that they can become reserves for developing energy, grain, raw and semifinished materials, and forestry products in Fujian.

It is necessary to concentrate efforts on solving the problem of uneven economic development in mountainous areas. We should break down barriers; make the best use of existing foundations to accelerate development; adopt effective measures to help impoverished areas eliminate poverty as quickly as possible; and give them preferential treatment as far as construction projects, funds, materials supply, and policies are concerned.

Chapter 55. The Economy of Old Revolutionary Base Areas, Areas Inhabited by Minority Nationalities, Frontier Areas, and Island Areas

It is necessary to reinforce measures to assist the poor and do everything possible to solve the food and clothing problems of impoverished people in old revolutionary base areas, areas inhabited by minority nationalities, frontier areas, and island areas in order to bring the per capita annual income of impoverished households to at least 200 yuan within 3 years. It is necessary to properly handle the relationship between "blood transfusion" and "blood making" by developing the commodity production to increase the mechanism for "making blood"; assisting poverty-stricken village and households develop the family-run economy; and promoting village and town enterprises in order to invigorate the cells of hundreds of thousands of households and enable them to "Eliminate poverty in 3 years, remove the designation of impoverished households in 5 years, and contribute to Fujian's economic development in 8 years." In 1990, the per capita annual income of old revolutionary base areas in Fujian is expected to exceed 500 yuan, topping 1985 by 80 percent, and of areas inhabited by minority nationalities, 400 yuan, an increase of 86 percent.

All localities and departments should implement the measures to assist the poor ideologically, organizationally, and technically, as well as in planning, policies, and measures. It is necessary to further relax policies concerning old revolutionary base areas, areas inhabited by minority nationalities, frontier areas, and island areas, especially impoverished and remote counties and poverty-stricken villages and old revolutionary base areas, so that they can rely on themselves and work hard to develop their economy and vigorate their strength.

Chapter 56. Rural Town Construction

It is necessary to adhere to the principle of self-reliance and doing things within our capabilities in building rural towns with their own special characteristics and complete set of facilities. It is necessary to gradually develop industry, agriculture, commerce, and the building trade, and step up the construction of transport, posts and telecommunicaitons, cultural and educational establishments, science and technological undertakings, public health, waterworks, power supply, and other infrastructure so that towns can become the economic, cultural, health, scientific and technological, and information service centers of rural areas.

It is necessary to map out a unified plan for building rural towns and carry it out step by step. It is necessary to further relax policies and raise construction funds through various channels. We should also encourage peasants to lease existing rural town enterprises, build new enterprises, set up tertiary industries, and raise funds for infrastructure construction of rural towns.

Chapter 57. Land Use and Soil Conservation

We should attach importance to the rational exploitation and use of Fujian's land resources, ensure proper geographical distribution of productive construction projects, and take full advantage of favorable local conditions to secure good social economic, and ecological benefit.

We should conduct systematic and general land inspection.

We should continue and complete planning for land use in the Meizhouwan region and the Min Jiang valley, and work out a plan for land use in the triangular open zone in southern Fujian. We should also work out an overall land use plan for the province.

Chapter 58. All-round Development of Min Jiang Valley

In developing the Min Jiang valley, we should persistently combine reclamation, development, and use. We should firmly implement the policy of "overall planning and general improvement" and that of "considering both local conditions and the overall situation, integrating long-range projects with short-term projects, and undertaking projects by stages while tackling those most needed first." We should strive to make economic development of the valley suit local population and environmental conditions.

Chapter 59. Development of the Meizhouwan Region

The stress in the development of the Meizhouwan Region should be put on the coastal areas on the south and north banks, including Xiuyu and Dongwu of Putian City and Xiaocuo of Quanzhou City, covering a total area of 400 square kilometers. The development of the region will create a big deep-water harbor for our country and some important industrial bases and new industrial port cities for our province. Because the development of the Meizhouwan Region requires a comparatively big investment, we should work out an overall plan and build various projects by stages and in groups.

Chapter 60. Geological Prospecting

We should make great efforts to promote geological work. Geological prospecting should focus on finding mineral resources in the interest of economic and social development. Geological workers should expand the scope of their service, provide service on their own accord, make long-range plans, and do good preparatory work for major projects. We should actively introduce and popularize new technology, new theories, and new scientific and technological achievements, and pay attention to the renovation and transformation of technical equipment. We should rely on science and technology to ensure good quality, high speed, and good results in work. We should make overall arrangements and stress major projects. While heeding the needs of current economic construction, we should also look ahead, pay attention to basic geological work, and gather data for geological work in the next 10 years.

We should strive to supply beforehand the basic geological, hydrogeological, engineering, environmental, and mineral resources data for economic construction according to the economic construction plans.

VIII. Science, Technology, and Education

Chapter 61. Strategic Objectives for the Development of Science, Technology, and Education

We should accelerate the development of science and technology, conduct planned research on selected scientific and technological problems for local economic construction and social development, and develop special-purpose technology. We should speed up the development of education, make basic education universal, and step up the training of specialized personnel for economic construction and social management. We should gradually create a new situation in Fujian in which science and technology serve economic construction and education trains qualified personnel for social development.

The development of science, technology, and education should make scientific progress be responsible for 35 percent of the total economic growth in 1990 and increase the number of scientists and technicians to 1 percent of Fujian's total population.

Chapter 62. Natural Science

We should pay more attention to applied research, conduct basic research according to the demands set by the state, and store scientific and technological data for long-range development.

We should reform the science and technology system and enhance its vitality and motive power.

We should develop international relations in the scientific and technological field, and promote scientific and technological cooperation and exchanges.

We should improve science and technology management and raise its level.

Chapter 63. Tackling Key Scientific and Technological Projects

We should put forward key technical problems concerning economic construction and social development and concentrate on tackling them. We should strive to make some major scientific and technological achievements and apply them in the four modernizations program so that our key construction projects and technological transformation projects are based on advanced technology.

Chapter 64. Philosophy and Social Sciences

Research in philosophy and social sciences must be conducted under the guidance of Marxism-Leninism-Mao Zedong thought and in accordance with the principle of integrating theory with practice and "letting a hundred flowers blossom and a hundred schools of thought contend." In conducting research, we should carry out explorations by integrating theory with practice. The research should help build socialist material and socialist spiritual civilization, and make Fujian march in the van of China's four modernizations.

We should conduct research on a number of specific pressing problems concerning our strategy for economic, scientific, technological, and social development, our reform of the economic structure, and Fujian's modernization.

We should adopt measures to accelerate the training of social science research personnel, support the publication of social science research findings, build social science information centers, and set up social science development funds.

Chapter 65. Elementary Education and Vocational and Technical Education

In view of the uneven economic and cultural development in various regions in Fujian, we should gradually introduce 9-year compulsory education by stages and in groups, according to local conditions. After compulsory elementary education becomes universal in most regions, we should strive to make it universal in mountainous areas, areas inhabited by minority nationalities, remote and poverty-stricken areas, and on coastal islands. We should extend education to all school-age children and improve the quality of education. By 1990, junior middle school education should basically become universal in major cities and county seats and in some townships (towns) with comparatively good economic and educational conditions. In the next 5 years, we expect to enroll a total of 1.83 million students for junior middle schools. We should continue to readjust the structure of secondary education, and further develop and improve secondary vocational and technical education while operating regular senior middle schools well. In 1990, student enrollment in secondary vocational and technical schools should equal or exceed enrollment in regular senior middle schools. In the next 5 years, regular senior middle schools are expected to enroll a total of 375,000 students; secondary vocational schools, 192,000 students; and secondary technical schools, 90,600 students. Regular senior middle schools should make great efforts to improve the quality of education. Major cities and city districts in the province should strive to make senior middle school education (including vocational and technical education) universal by 1990. While introducing the system of 9-year compulsory education, we should actively develop preschool education. Cities should make great efforts to operate more kindergartens and gradually meet the needs of all preschool children. Rural areas should also develop preschool education according to local economic and cultural conditions, and gradually ensure that each township has a central kindergarten and each village a kindergarten. Efforts should be made to develop special education for blind, deaf, mute, handicapped, and retarded children. Great efforts should be made to eliminate illiteracy among young people. In economically developed areas and in areas where 9-year compulsory education has been introduced, illiteracy and semi-illiteracy among young people should be basically eliminated by 1990. Efforts should also be made to wipe out illiteracy in economically underdeveloped areas and to ensure that the number of illiterates there will not increase.

We should improve the quality of teachers and the conditions of schools at all levels. We should ensure the collection and proper management of educational surcharges and make sure that they are used for elementary education. We should find more funding sources and encourage all forces and individuals in society to run schools on a voluntary basis with funds raised by themselves.

Chapter 66. Regular Higher Education and Adult Education

In regular higher education, we should continue to readjust the range of disciplines and of undergraduate and postgraduate studies at institutions of higher education and to improve teaching conditions at existing schools and the quality of instruction. We should maintain the proper speed in training and educating students so that the number of graduates will meet the needs of the whole society in developing the economy and technology. During the 5-year period we plan to admit 1,725 students for postgraduate studies. During this period, student enrollment at full-time institutions of higher learning will be 81,000, or an average of 16,200 each year. A total of about 55,000 students will be graduated, or an average of 11,000 students each year. In 1990 the total student enrollment should reach 58,000.

We should vigorously develop adult education, strengthen on-the-job training, and help those who work raise their cultural and professional standards. We should set up a basic system for developing various forms of primary, secondary, and higher adult education. By 1990 the overwhelming majority of cadres should be of the educational level of a senior middle school graduate or a special or technical secondary school graduate.

IX. People's Life and Social Security

Chapter 67. Population

We should carry out family planning in a down-to-earth manner, exercise strict control over population growth, and vigorously encourage the policy of one child per couple, late marriage and late child-birth, and the policy of having less children per family, promoting eugenics, and improving the quality of the population. By 1990, the province's total population should be about 28.58 million, with the natural growth rate under 10.5 per thousand.

Chapter 68. Labor and Wages

We should start from readjusting the production setup, find new ways in production, make overall plans for using manpower in urban and rural areas, strive to solve the youth unemployment problem each year, and make rational arrangements for using rural manpower. We should continue to reform the labor and wage system and persistently, steadily, and rapidly increase the economic efficiency and productivity of all enterprises. We should adhere to the principle of "safety first with emphasis on preventing accidents", and step by step improve the workers' working conditions and environment. We should take measures to ensure health and safety in the workplace and reduce the incidence of injuries, deaths, and occupational diseases.

Chapter 69. Personal Income and Consumption

The personal income of people in urban and rural areas will continue to increase. It is anticipated that in 1990 the per-capita wage of the average worker in state-owned enterprises will be approximately 1,500 yuan, with an annual growth rate of over 5 percent in average. The average per-capita net income of peasants will be 650 yuan, with an annual growth rate of 10 percent in average.

We should continue to improve the cultural and material life of people in urban and rural areas and raise their level of consumption. We should also increase the variety and improve the quality of consumer goods.

Chapter 70. Public Health

We should continue to adhere to the principle of promoting preventive medicine, paying attention to public health in both rural and urban areas, and integrating the practice of traditional Chinese medicine with that of Western medicine. We should bring into full play the role of existing urban and rural medical and public health institutions in treating and preventing diseases, and help public health departments improve their scientific management and render medical services. We should step up medical research, raise standards in treating patients and applying medical technology, help public health workers improve their proficiency, bring into full play all positive factors, build more medical facilities, and strive to change the outlook in public health as quickly as possible.

By 1990 the number of hospital beds in the province will be 62,000, or an average of 2.2 per 1,000 people. There will be 85,900 health workers and medical technicians in the province, or an average of 3.01 per 1,000 people.

Chapter 71. Medicines

In the pharmaceutical industry we should adhere to the principle of quality first, make medicines more effective, readjust the industry's product mix, strengthen pharmaceutical research, strive to open up new areas of service, expand the export of pharmaceutical products, and earn more foreign exchange.

In 1990 we plan to produce 600 tons of pharmaceutical raw materials, 33 million yuan worth of medical appliances and instruments, and 46 million yuan worth of medicinal herbs and medicines prepared by pharmacies.

Chapter 72. Physical Culture

We should further build our ranks of athletes and popularize sports activities so as to improve the people's health.

Chapter 73. Social Security

Under the policy of invigorating the domestic economy, opening to the outside world, and encouraging some people to become prosperous more quickly than others, governments at all levels should do a particularly good job in social security work. They should gradually institute and improve various social insurance systems, improve social welfare work, and do an even better job in providing relief to the needy and giving preferential treatment to families of servicemen and revolutionary martyrs.

Chapter 74. Urban Construction

While maintaining and enhancing the present capability of existing urban facilities, we should ensure that urban construction conforms to economic plans, urban water supply basically meets the needs of production and the people's livelihood, transportation strains are eased, better fuel becomes available, more trees are planted, and environmental sanitation is greatly improved.

Chapter 75. Environmental Protection

We should prevent anyone from disrupting the natural environment, prevent new pollution, strive to check any worsening of the environmental situation, solve without delay any major pollution problem, and continue to improve the environmental situation in such tourist cities as Fuzhou, Xiamen, and Quanzhou. We should protect the rural environment, maintain the quality of the water in coastal areas, reservoirs, and preserve the ecological balance.

X. Building a Socialist Spiritual Civilization

Chapter 76. Ideological and Political Work

Stepping up the building of socialist spiritual civilization is an important task related to China's socialist modernization program. We should promote ideological and political work to inspire the spirit of patriotism, collectivism, socialism, and communism among the people. We should persistently uphold the socialist road, the people's democratic dictatorship, the communist party's leadership, and Marxism-Leninism-Mao Zedong thought. We should make the people in Fujian have lofty ideals, moral integrity, education, and a sense of discipline; adopt a civilized, healthy, and enterprising mental attitude; and consolidate and enhance the political situation of stability and unity.

77. Cultural Undertakings, Press, and Publications

In promoting cultural undertakings, we should adhere to the principle of serving the people and the socialist cause. We should make culture and art play the role of uniting and inspiring the people and encouraging young people to constantly work hard and improve themselves. Cultural and art departments should take into consideration both economic gains and social benefit, while giving greater weight to the latter. It is necessary to implement the principle of "letting one hundred flowers blossom and one hundred schools of thought contend" and "making the past serve the present and foreign things serve China." We should strive to create more and better literary and art works to enrich the people's cultural life, enchance their cultural accomplishments and mental outlook, foster communist ideals and moral values, and arouse their enthusiasm for taking part in socialist modernization.

Writers and artists should strive to create works with strong ideological content and of high artistic value, and diversify the forms and styles of their works.

The press and publishing industries should publicize and correctly explain the party's line, principles, and policies, and should propagate Marxism-Leninism-Mao Zadong Thought. At the same time, they should disseminate all kinds of knowledge -- general, scientific, and technological -- that is useful for our economic development and social progress. The press should do a good job in news reporting and transmitting all kinds of information. Publishing agencies should do a good job in publishing all kinds of books and readjust the publishing pattern. It is necessary to improve the printing techniques of newspapers and other publications, shorten the publishing process, improve publishing and distribution management, and step up the construction of needed publishing facilities.

Chapter 78. Radio, Film, and Television

We should adhere to the principle of building socialism and serving the people; implement the principle of catering to the needs of the province, of overseas Chinese, of Taiwan, and of the world, adopt advanced techniques; and ensure that more people will be able to receive radio and television programs. We should increase the air time of radio and television programs, and improve the quality of radio and television services.

By 1990, people in major cities and along the coast in the province will be able to listen to four to seven radio stations and watch programs from three to five television stations. People in the countryside, except those who live in remote hilly areas, will be able to tune in to two to three radio stations and watch programs from one to three television stations. We should strive to achieve the goal of enabling 70-80 percent of the peasants in the province hear local closed-circuit radio programs. Radio and television broadcasts will reach about 80 percent of the population in the province. We should complete 10 feature story films and make more scientific, educational, documentary, and art films.

Chapter 79. Socialist Democracy and Legal System

We should continue to strengthen socialist democracy and improve the socialist legal system. We should further strengthen the role of the constitution and other laws in political, cultural, social, and economical life; ensure the strict observation of existing laws; and ensure that there are laws for people to follow, that these laws are observed, that they are strictly enforced, and that law breakers are dealt with. We should effectively combat and punish all types of law-breaking and criminal activities, fully protect the various types of democratic rights, and ensure and support the development of socialist material civilization and spiritual civilization.

Chapter 80. Public Security and Social Order

We should further strengthen our political and judicial work, and continue to mobilize and rely on all the sectors of society in building national security and maintain social order. We should strengthen the work of state security organs and of public security and judicial organs in gathering information, and ensure the safety of all leading party and government organs, major state organizations and key construction projects as well as their vital components. We should maintain social order in public places, on railways and highways, on ships and airplanes, and on the various means of public transportation in urban areas. We should help the broad masses strengthen their sense of security, improve their capability to resist any type of natural calamity and accident, and guard against major fire hazards and other incidents. We should educate the masses to foster the fine habits of promoting civilization; stressing courtesy, and observing discipline; to consciously maintain social order; and to dare to struggle against criminals and all unhealthy phenomena that undermine national security and social order so that our public order will be even more stable than ever before.

The targets of the Seventh 5-Year Plan are magnificent, and our tasks remain arduous. All districts, departments, and units must earnestly carry out this plan in an organized manner and bring into full play the spirit of the foolish old man who removed the mountain. We should keep forging ahead. boldly create the new, work hard to fulfill the Seventh 5-Year Plan, and help Fujian become a pacesetter in developing the four modernizations program!

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CSO: 4006/1166

ECONOMIC PLANNING

JILIN HOLDS CONFERENCE ON URBAN COLLECTIVE ECONOMY

SK030416 Changchun Jilin Provincial Service in Mandarin 0930 GMT 2 Jul 86

[Text] The provincial urban collective economic work conference was held in the provincial guesthouse of Changchun City today. Gao Dezhan, provincial governor, presided over the conference. Gao Wen, vice governor, delivered a report at the conference.

After affirming the achievements in developing the urban collective economy, Comrade Gao Wen emphatically said that we must not be complacent over these achievements; on the contrary, we must further discover where problems lie and where we lag behind. The major problems are as follows: Our province's urban collective eocnomic development has fallen behind the national average level. In the course of developing the urban collective economy, we have put the stress on state-owned large and medium-sized enterprises and budgetary enterprises to the neglect of collectively owned small enterprises and extra-budgetary enterprises. We have failed to make an overall analysis of problems concerning economic activities of collective enterprises. Collective enterprises have often incurred censure from certain fields if they met any difficulties in the course of enlivening the economy. Some collective enterprises that exercised independent management and were bold in reform were considered lacking in organizational discipline. The ranks of the cadres of some collective enterprises who arranged jobs for jobless persons were considered unqualified. We failed to make good plans or give correct guidance to collective enterprises. It will be impossible to develop the urban collective economy if we do not solve these problems.

Comrade Gao Wen called on governments at all levels to make more solid contributions to developing the collective economy. First, governments at all levels should place the development of the urban collective economy on the work agenda, and each government should transfer a leading comrade to take charge of this work. We should adopt legal, economic, and necessary administrative means to strengthen macroeconomic control over urban collective enterprises.

Second, people's governments at all levels should set up organizations in charge of the urban collective economy in order to protect and support the development of the collective economy. No departments or units are allowed to indiscriminately transfer the funds and materials of collective enterprises.

Third, all departments should take responsibility for supporting urban collective economic development and create external conditions for enlivening collective enterprises. State and collective enterprises should be treated equal politically and economically. Planning and economic departments and supply departments should make a unified plan to supply materials to collective enterprises. At present we should pay attention to supporting the development of small commodity production. The enterprises producing small commodities should be given preferential treatment with regard to taxation and materials supplies.

With regard to implementing the policies towards collective enterprises, Comrade Gao Wen stressed: We should persist in the economic contracts, carry out the factory head responsibility system focusing on democratic management, and enthusiastically advocate the implementation of stockholding and leasing systems. We should carry out reform in a profound manner, pioneer the road of advance, and strive to create a new situation in the urban collective economy.

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CSO: 4006/1168

BRIEFS

SHAANXI OFFICIAL ON LIVING STANDARD--Issue No 3 of JINGJI GAIGE [Economic Reforms] publishes an article by Provincial Advisory Commission Chairman Zhang Ze entitled "Quadruplication and a Comfortably Well-off Living Standard." The article says: In exploring the relationship between quadruplication and a comfortably well-off living standard, we must have a clear idea of what a comfortably well-off living standard implies. It includes the following goals: 1) Average GDP per capita reaches $800. 2) There is an average of 400 kilograms of grain available per person. 3) There is universal 9-year compulsory education. In addition, there should also be specific goals of endeavor in consumption level, housing environment, labor and employment, medical care, and cultural life. [Text] [Xian Shaanxi Provincial Service in Mandarin 0100 GMT 5 Jul 86 HK] /12624

CSO: 4006/1168

MINERAL RESOURCES

BRIEFS

SHANDONG SEMIANNUAL GOLD PRODUCTION--By the end of June, Shandong Province had fulfilled 57 percent of its annual gold output target, showing an increase of 5.9 percent over the corresponding period of last year. [Excerpt] [Jinan Shandong Provincial Service in Mandarin 2200 GMT 4 Jul 86 SK] /12624

CSO: 4006/1170

SMALL-SCALE ENTERPRISES

BRIEFS

SICHUAN TOWNSHIP ENTERPRISES--Sichuan's Township enterprises produced a total output value of 7.815 billion yuan in the first half of the year, an increase of 24.58 percent over the same period last year. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 6 Jul 86 HK] /12624

CSO: 4006/1170

LABOR AND WAGES

NEI MONGGOL REPORTS ISSUE OF JOB ARRANGEMENT CIRCULAR

SK081226 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 7 Jul 86

[Text] The autonomous regional People's Government recently issued a circular to urge various localities throughout the region to further do a good job in making job arrangements for urban youths.

The circular states: Since the third Plenary Session of the 11th CPC Central Committee, the region has scored marked achievements in making job arrangements for urban youths. During the 1979-1985 period, the region made job arrangements for more than 1.5 million jobless youths. These job arrangements have played an active role in developing production, enlivening the economy, improving the people's livelihood, and in accelerating the pace of creating the situation of stability and unity.

The circular points out: During the Seventh 5-Year Plan period, the region has to make job arrangements for 870,000 jobless youths. This requires various localities and the departments to fully attach importance to the work and to overcome various difficulties to make job arrangements as much as possible for the jobless youths.

The circular stresses: Proceeding from the actual situation in the region, efforts should be made to open more avenues of labor employment and to vigorously develop collective-owned enterprises. We should further relax the restrictions in the policies to create favorable conditions for developing collective-owned enterprises. Efforts should be made to enhance leadership over the work of the labor service companies at all levels to bring into full play the role of these companies in making job arrangements for the jobless youths, conducting training work, and in readjusting the distribution of labor forces. Localities and units throughout the region should supervise or inspect the job arrangements made in the year in a frequent manner. They should deal with problems as soon as they have been exposed to carry forward the work of making job arrangements for the jobless youths in a healthy way.

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CSO: 4006/1164

POPULATION

HEILONGJIANG RIBAO ARTICLE ON POPULATION DEVELOPMENT

Part I

SK270115 Harbin HEILONGJIANG RIBAO in Chinese 14 Jun 86 p 3

["Part I" of the article by Hao Shouzhong [6787 1343 1813], Song Jie [1345 2638], Yu Guocheng [0060 2654 0701], Feng Quanxing [7458 0356 5281], and Xu Xiaosong [1776 2556 2646]: "Study of the Strategy for the Population Development of Our Province"]

[Text] 1. The decision on the strategic goals of Heilongjiang's population.

One of the differences between the production of population and that of materials lies in the inheritability of population. The past situation in population (the quantity, quality, composition and density of population) constitutes the foundation for nowaday population development, and the present situation in population again constitutes the foundation for future population development. Therefore, we should understand the existing state of population if we are to decide on the goals of future population development. Then, how is the existing state of population of our province?

1) The population growth rate is high, and the base figure becomes increasingly larger. Our province's population grew from 10.14 million in 1949 to 32.81 million at the end of 1982. The growth rate in the 33 years was 240 percent (including the mechanical growth), averaging an annual increase of 3.62 percent. The province's population ranked 20th in the country in 1985, and the place rose to 15th in 1982. Such a rapid growth rate and growth quantity were rare in the country, and also constituted a prominent characteristic of our province's population development.

2) The age structure of the population is young, with children and young people occupying a larger proportion and old people a smaller proportion. Before the 1970's, the high birth rate, low mortality rate, and longer life span led to a young age structure of population. Young people aged below 30 accounts for 68.54 percent of the total population of our province, and the median of the average age is 21.4 years. Such a young population structure means that the number of the people who have entered or will soon enter the marriage and child-bearing age is very large, and the future population growth will be precipitous.

3) The natural population growth is high. According to the statistical data compiled since 1954, during the 29-year period, 5 years saw a birth rate of more than 40 per thousand, and a natural population growth of more than 30 per thousand. On an average, the annual birth rate was 29.9 per thousand during the 29 years, mortality rate 7.6 per thousand, and natural growth rate 22.3 per thousand. In 1982, the natural population growth declined to 14.8 per thousand, the mortality to 4.95 per thousand, the lowest in the country, and the average life span rose to 68.17 years. Under such circumstances, it is very difficult to rapidly reduce the population growth rate.

4) The urban population occupies a larger proportion than before. According to the 1982 census, the population of the 12 cities and 102 towns throughout the province increased by 65.4 percent over 1964. The proportion of the population in cities and towns in the total population of the province rose from 39.8 percent in 1964 to 40.5 percent, much higher than the natural average of 20.6 percent. The ratio of our province's urban population to rural population is approximately 4 to 6. Although the ratio of the urban population is not high as compared with that of developed countries, it is the same as the average urban population ratio of the world in 1980. The larger urban population and its precipitous rise have led to many problems.

5) The education level of the population has improved greatly, but still fails to suit the needs in the modernization drive. According to the census, the province's educated population was 22.14 million in 1982, accounting for 76.9 percent of the population aged at and above 6, and 67.8 percent of the total population of the province. The latter percentage was 26.5 percent higher than the 1964 percentage of 41.3 percent, and was higher than the national percentage of educated population of 60.1 percent. In per 10,000 people, those with an education of university level totaled 69, higher than the national average of 59.9, and ranking eighth in the country. In per 10,000 people, those with an education of senior middle school level totaled 938, higher than the national average of 662.2, and ranking fifth. This showed that our province had achieved great development in education. We should note, however, that our province's education, generally speaking, is rather backward, and lags far behind the needs in the four modernizations. The first indication is that illiterate and semi-illiterate people amount to 16.1 percent of the province's total population, and the second is that in every 100,000 people, only 690 have an education of university level, while the number can be several thousand or even more than ten thousand in developed countries.

The above-mentioned characteristics show that our province has achieved marked results in family planning while indicating a precipitous population growth in the future. Although the women of child-bearing age in our province average 2.08 births, unplanned second and multiple birth rates are still rather high because the base number of population is large, the age structure of population is young, and, according to a sample survey on the population situation in 1983, 67.22 percent of the women of child-bearing age had one birth, 18.64 percent had two births, 9.24 percent had three births, and 2.6 percent had four births -- in other words, 14.1 percent had multiple births. If the province's population grows according to the 1981 natural growth rate of 14.8 per thousand (the figure of the third census), it will easily reach 42.77 million by the year 2000, which is greatly different from the 39.7 million defined by the provincial government.

The average per-capita share of land, natural resources, and grain is lower than the world average. Calculated according to the date of the 1982 census, the population per square kilometer of land (including the Songling area of Da Hinggan Ling) is 69 in our province, 38 fewer than the national average of 107, and ranking 23d in the country. However, we must not think that our province is sparsely populated. Located in high and cold areas, our province has short sunshine and frost-free periods, and the land fertility is rather poor. We should also note that because the growth rate of our province's agricultural production was lower than the national average over the three decades and more after the founding of the PRC, and the population growth was higher than the national average, the growth of agricultural population is higher than that of grain and animal husbandry production. Our province's population living on marketable grain has increased to 40 percent of the total, hence the inordinately large amount of grain marketed within the province, and a decline of that supplied to outside the province. Therefore, our strong point in natural resources is weakening. We should pay great attention to such a situation. As mentioned above, the province's population will continue to increase over the next 22 years by an average of 595,000 per year. To meet the consumption of the increased population, an annual increase of nearly 300 million jin of grain should be guaranteed. For this reason, land and natural resources will correspondingly become all the more deficient. An inordinately rapid population growth is bound to have an adverse influence on the protection of natural resources, and the restoration of ecological balance.

An inordinately rapid population growth impedes the improvement of the population quality. Over the past three decades and more, the province's population has shown a fairly great degree of improvement in cultural, scientific and technological, and other fields and it is still incompatible with the development of productive forces. There is no doubt that education should be greatly developed in the future. However, the development of education is restricted by our financial capacity. Therefore, in a situation in which education must be developed but the financial resources are limited, we should select a way to control population growth to make our limited financial resources play a greater role, and to raise the education level to a fairly great extent of the population who should be educated.

An inordinately rapid population growth brings more difficulties to employment. The employed population of our province has increased fairly rapidly since the founding of the PRC. It increased from 3.115 million immediately following the founding of the country to 13.36 million in 1982, when the census was conducted, showing a 3.28 factor increase and averaging an annual increase of 2.26 percent. The employed population amounts to

40.9 percent of the total population of the province, but there are still many youths waiting for jobs, and 600,000 to 800,000 people will reach employment age every year over the next two decades. Even the tertiary industry, on which the people place great hope, will have difficulty offering job opportunities to the increased number of laborers each year without a certain amount of funds. For this reason, in order to solve employment problem, we must also consider control over the population growth.

The four modernizations of our country should be accomplished based on raising productivity and increasing economic benefits. The present operational and managerial levels of our province's enterprises are not high. In some enterprises, in particular, the improvement of productivity is affected and, in some cases, the productivity shows a decline because they have placed a great number of youths waiting for jobs. According to statistics, in 1981, the per-capita productivity of the industrial enterprises and construction units throughout the province showed a decline of 1,797 yuan, or 16.2 percent, from 1966, and a decline of 24 yuan, or 0.25 percent, from 1977. Such a situation must not continue. For this reason, population growth control is a must to remove some of the strain from employment and to rapidly improve productivity.

Part II

SK300749 Harbin HEILONGJIANG RIBAO in Chinese 15 Jun 86 p 3

[Part II of the article by Mao Shouzhong, Song Jie, Yu Guocheng, Feng Zuanxing, and Xu Xiaosong: "Study of the Strategy for the Population Development of Our Province"]

[Text] 2. A comparison of the plans for population calculation.

1) A comparison of the three plans for the calculation.

As mentioned above, ours is a young population. Due to the function of inertia in the population development, we are beginning to enter the third birth peak period after the founding of the PRC, and there is a trend of sharp increase. In order to bring such a trend under control, it is necessary to strictly control the number of births of every woman of child-bearing age. The next 10 years or more are precisely the key period for population control. How can we control the sharp increase of population, prevent the rapid ageing of the population, and make our measures really feasible at the same time? This requires us to conduct analysis and exploration of the possibilities of population development. In 1981, the overall birth rate of the women of child-bearing age in our province was 2.1. Judging from the results of the "calculation of the population of Heilongjiang Province in the next 50 years" which we have conducted, if the overall birth rate remains at 2.1 (which is exactly the replacement rate (ti dai shui ping 2583 0108 3055 1627]), the total population of our province will show a sustained increase in the next 50 years, and will be 5 times greater than that in the period immediately following the founding of the country. If the overall birth rate was reduced to 1.5 beginning 1982, and it remains unchanged for 50 years, the province's total population will reach 38.59 million by the year 2000. The age structure at that time will be as follows: People aged 14 or younger will amount to 14.9 percent; those aged between 15 and 64, 75.3 percent; and those aged 65 or older, 9.8 percent. The population will be an old population. If we maintain the original birth rate, the population will age rapidly, and new problems will arise. In order to change such a situation, the average number of births of the women of child-bearing age should increase rapidly within a short period of time. Such a population development plan characterized by a drastic increase in the wake of a sharp decline is also not ideal. What we should select is a plan under which the population can increase slowly in a planned and regular manner at present, and the population development can be stabilized in an ideal situation. In fact, the above-mentioned two examples have indicated a way for us to seek such a plan. That is, we may look for an ideal birth rate between 1.5 and 2.1. In order to make the results of our calculation conform to the actual conditions, feasible and flexible, we conducted calculations with three different birth rates so that we can select a more ideal one as a plan for the strategy for the population development by the end of this century.

A. Calculation based on the high birth rate

The calculation based on the high birth rate was to make the overall birth rate maintain 2.0 from 1981 to 1985, reduce of by 0.2 in every 5 years to 1.4 by the period from 1995 to 2000, making the average birth rate reach 1.7 in the 20 years. The total population will reach 40.52 million by the year 2000, exceeding the 40 million figure. The defect of this plan is evidently an over-rapid population growth. In the first 5 years, in particular, the brith rate is rather high and not properly controlled. This plan is apparently not recommendable.

B. Calculation based on the medium birth rate

Calculation based on this birth rate, the overall birth rate maintained 1.9 from 1981 to 1985, reduced by 0.2 in every 5 years afterwards to 1.3 by the period from 1993 to 2000, making the average birth rate reach 1.6 in the 20 years. The total population will reach 39.84 million by the year 2000.

According to this plan, our province's population will exceed the target of 36.7 million by the year 2000, but the population growth will be brought under control effectively. When this plan was implemented, the birth rate was reduced from 2.1 to 1.7 in the first 5 years (1981 to 1985), averaging an annual decline of 0.1, and will be reduced by 0.04 every year afterwards. Such a decline speed is more realistic. Although the overall birth rate will be a little too low in the last 5-year period, we are sure to keep the total population within 39.7 million by the end of this century as long as we do our work well. This also indirectly proves that the province's target for population control by the end of this century is defined in accordance with certain basis. The province will certainly be able to attain this target if the people throughout the province make concerted efforts. Even if we neglect the work in some aspects, the total population will not exceed the target by a big margin, but at least, the total population will be controlled within 40 million by the end of this century.

C. Calculation based on the low birth rate

According to this plan, the overall birth rate from 1981 to 1985 was 1.85. Calculated in terms of the target in which the overall birth rate for each 5 years drops by 0.2, the overall birth rate from 1995 to 2000 will be 1.25 and that from 1981 to 2000 will average 1.55. According to this plan, the total population by 2000 will reach 39.5 million, fewer than the target for population control by the end of this century. This plan is characterized by the fact that the targets for both ends are tightly controlled. The plan requires that the overall birth rate should drop by 0.12 every year on the basis of the fact that the overall birth rate in 1981 was 2.1. Practices have shown that it is very difficult to attian this plan even if the overall birth rate drops by 0.14 every year after the birth rate reaches the replacement level. Even if the overall birth rate in the last 5 years remained at 1.25, we still have quite a lot of difficulties to attain this plan. In short, the implementation of this plan is more difficult than that of the plan whose figures are calculated according to the medium birth rate.

After summing up the aforementioned statement, I came to realize that it is more reasonable to choose the plan whose figures are calculated in terms of the medium birth rate of the three plans. First, by implementing this plan, the province will be able to bring the excessively high growth rate of the population under control and to realize the target for population control by the end of this century. Second, by implementing this plan, we will be able to retard the ageing degree of the population and to alleviate the pressure created by the ageing of the population. Third, judging from the actual conditions, this plan is better than the plan whose figures are fixed in terms of the low birth rate. So I suggest that the calculation of population in the plan whose figures are fixed in terms of the medium birth rate should be regarded as a basic program for formulating the province's plan for population development within this century.

2) The trend of population development in the future.

a. The trend of the distribution of urban and rural people.

Along with the ceaseless development of science and technology, the law of population development has been formed in the world in which the people continue to move from the rural areas to the urban ones. "City diseases" will be created if the urban areas carry out development arbitrarily. Thus, our country has implemented the policies on developing the urban areas in a planned manner. According to the third general census, the people in the urban areas of the province accounted for 45 percent of the total.

However, judging from the current birth situation, the birth rate in the urban areas is much lower than that in the rural areas. The rural population growth rate will certainly be higher than the urban population growth rate due to the fact that the rules for the urban areas are stricter than those in the rural areas in the current policies on birth control. No great changes will take place in the proportion of urban people even if the people continue to move from the rural areas to the urban ones. According to the calculation, the proportion of the urban population will increase by 0.6 percent by 2000.

b. The trend of the development of the population of labor age.

The current policies of the state have stipulated that the men at the age between 16 and 59 and the women at the age between 16 and 54 belong to people of labor age. Studying the trend of the development of the population of labor age will be conducive to the arrangement of employment. As has been mentioned before, by the end of this century the number of the people at the age between 15 and 64 will continue to increase as a result of the fact that the population growth rate was excessively high before 1975. From 1981 to 2000, the increase of the population of labor age averages about 2 million in each 5 years. By 2200, the population of labor age will reach 26.134 million, an increase of 69 percent over that of 1981.

c. The increase in the number of retired people.

Although there will be no such a tendency that the proportion of the aged people accounts for large amounts of the total by the end of this century, the people of retirement age will increase year by year. In 1981, our province had 2,131,000 peple at the age of 60 or so. Our province will have 4,522,000 old people by 2000, more than 100 percent increase over that of 1981. How to deal with these old people will be one of the questions that we must study.

Part III

SK200452 Harbin HEILONGJIANG RIBAO in Chinese 16 Jun 86 p 3

["Part III" of the article by Hao Shouzhong, Song Jie, Yu Guocheng, Feng Guanxing, and Xu Xiaosong: "Study of the Strategy for the Population Development of Our Province"]

[Text] 3. Strategic Countermeasures to Population Development.

In line with the research data mentioned above, our province will experience a 7 million person increase by 2000, which will be equal to the entire population of Tianjin Municipality and double the population of Qinghai Province. To face such a situation, we hold that the following strategic countermeasures should be adopted:

1) Along with the year-by-year decrease in the number of annual births and of juveniles under 14 years old, the number of students at middle and

primary school levels will decline as well. Thus, the contradiction of elementary edcation will certainly tend to be relieved and efforts should be made to accelerate the pace of making universal compulsory secondary education. By so doing we will have a large number of school-age people who have been unable to attend middle schools enjoying a secondary education. Making compulsory secondary education universal within a short period has a vital bearing on building socialist modernization.

2) The number of old persons will increase and the number of retired persons will show a year-by-year increase. Therefore, society should pay attention to making living arrangements for old people, first paying attention to their medical care and then making arrangements for their material life to ensure that they spend their late years peacefully. In addition, special attention should be also paid to their spiritual life.

3) The population suitable for labor will register an obvious increase. To relieve the pressure of labor employment, we may adopt various ways and means to arrange for jobless youths to seek further study and training to meet the needs of the society. Of the population suitable for labor, young people between 16 and 25 years old will account for more than a third. Paying special attention to vocational education among young people to upgrade their cultural and technological standards will not only be helpful for upgrading the quality of staff members and workers, but also for relieving the pressure of labor employment.

4) The Sanjiang Plain and the Daxinganling forest zone have a sparse population. We may admit the proper emigration of the provincial people to these areas to develop the mountainous and forest zones and gradually achieve a reasonable distribution of population in the province.

Our province still has 70 million mu of wasteland that needs to be reclaimed which accounts for 13.8 percent of the total wasteland acreage in the country. The province's per capita acreage of wasteland reaches 2.1 mu, 1.6 mu above the national figure. Thsse wastelands are scattered over the Sanjiang Plain and Dazinganling and Heihe Prefectures. If we admit the proper emigration of the provincial people to these areas, the sparse population in these areas and the program of developing the Sanjiang Plain and the Daxinganling forest zone will experience a change. Meanwhile, the distribution of population in the province will gradually tend to be more reasonable.

4. Ways and Measures to Bring Population Growth under Control.

The key to fulfilling the strategic target mentioned above concerning population development lies in adopting the following suitable measures.

1) Efforts should be made to vigorously implement the policy on family planning and to upgrade the rate of one couple having one child. The province's current rate is not high. The 1982 rate in this regard reached 54.1 percent, while Liaoning Province reached 71.8 percent and Jilin Province reached 60.16 percent. In particular, the prefectures of

Songhuajiang, Nenjiang, and Suihua registered a rate lower than the province's average standard. They experienced a rate of approximately 25 percent of couples having more than one child. Therefore, only with a decline in the multiple-birth rate in rural areas and an upgrade in the one-child rate will we be able to fulfill the target of bringing the province's population under control.

2) We should persist with late marriages and late births and strengthen child-care and health protection work. Married women in our province not of marriageable age account for 1.34 percent of the total number of women. Among women 15 to 19 years old, about 4.57 percent have married early. Calculated according to this proportion, our province has 110,000 women who married early, which is equivalent to one-fourth of the women of legally marriageable age. Therefore, while vigorously raising the one-birth rate and reducing the rate of multiple births, we should continue to persist in late marriage and late births. This is still a pressing task of our province.

3) Striving to raise the cultural and educational levels of women and reduce the illiteracy rate will be beneficial to controlling population development. At present, about 30.35 percent of women 12 years old or older in our province are illiterate, higher than the 23.14 percent in Liaoning Province and the 28.96 percent in Jilian Province. The cultural and educational standards of women have a vital bearing on the birth rate -- the higher the educational standards, the lower the birth rate. Therefore, in the future, our province should strive to raise the cultural standards of women and pay special attention to popularizing secondary education, for this is of strategic significance in controlling population.

4) We should extensively conduct education based on state policy of controlling population, and strengthen the propaganda and popularization of the scientific knowledge of familing planning.

Judging from our province's practical situation, at present, the overall birth rate is 2.1 -- the replacement rate. It is comparatively difficult for us to further reduce the birth rate. To this end, we should exert strenuous efforts to do family planning work well. This requires not only appropriate and economic measures, but also greater efforts to extensively, deeply and enduringly conduct propaganda and education and to do political and ideological work well. Furthermore, the cultural standards of our province's women of child-bearing age, particularly those in the rural areas, are low. Therefore, it is all the more necessary to extensively advocate healthy births, actively popularize scientific birth control knowledge, strengthen maternal and child-care work, and ensure the healthy growth of women and children. This is also vital to controlling the development of population and making family planning work successful.

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HONG KONG

BRIEFS

PRC ENTERPRISE ACQUIRES BANK--Hong Kong, 1 July (XINHUA)--A small bank here was bought Monday by a subsidiary of the China Merchants Steam Navigation Company, one of China's state-run businesses based in Hong Kong. The new investor, Modern Concept Ltd., spent 68 million H.K. dollars (US$8.7 million) to buy 61.3 percent of the enlarged share capital of the Union Bank, which has been in financial difficulty since last year. The capital injection by the new investor has raised the net worth of the bank from 34.8 million H.K. dollars to more than 100 million, meeting the capital requirement set under the Hong Kong Banking Ordinance. Jiang Bo, new chairman of the bank and managing director of the China Merchants Steam Navigation Company, said, "our investment was purely a commercial decision." According to him, Modern Concept Ltd. will spend a further 30 million H.K. dollars to acquire, if possible, all the other shares. "We'll also spend another 200 million H.K. dollars to enlarge and strengthen the bank's capital base," he said. The accounts of the Union Bank showed that it suffered a consolidated loss of 611 million H.K. dollars last year, as against a profit of 3.2 million in 1984. "The loss is due to doubtful debts, mainly owed by Indonesian customers," new vice chairman of the bank Lee Ke Sze explained. [Text] [Beijing XINHUA in English 1500 GMT 1 Jul 86 OW] /12913

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